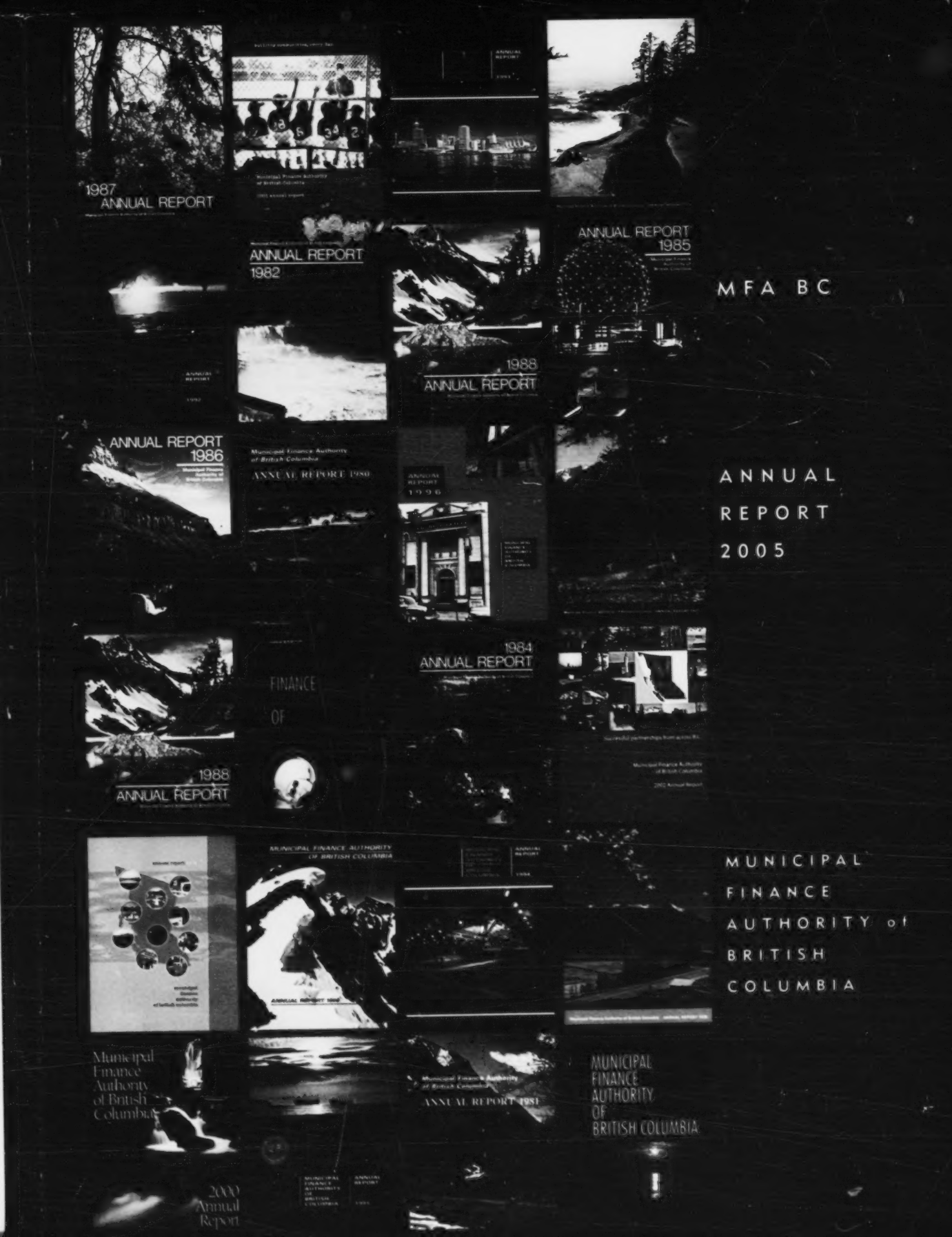
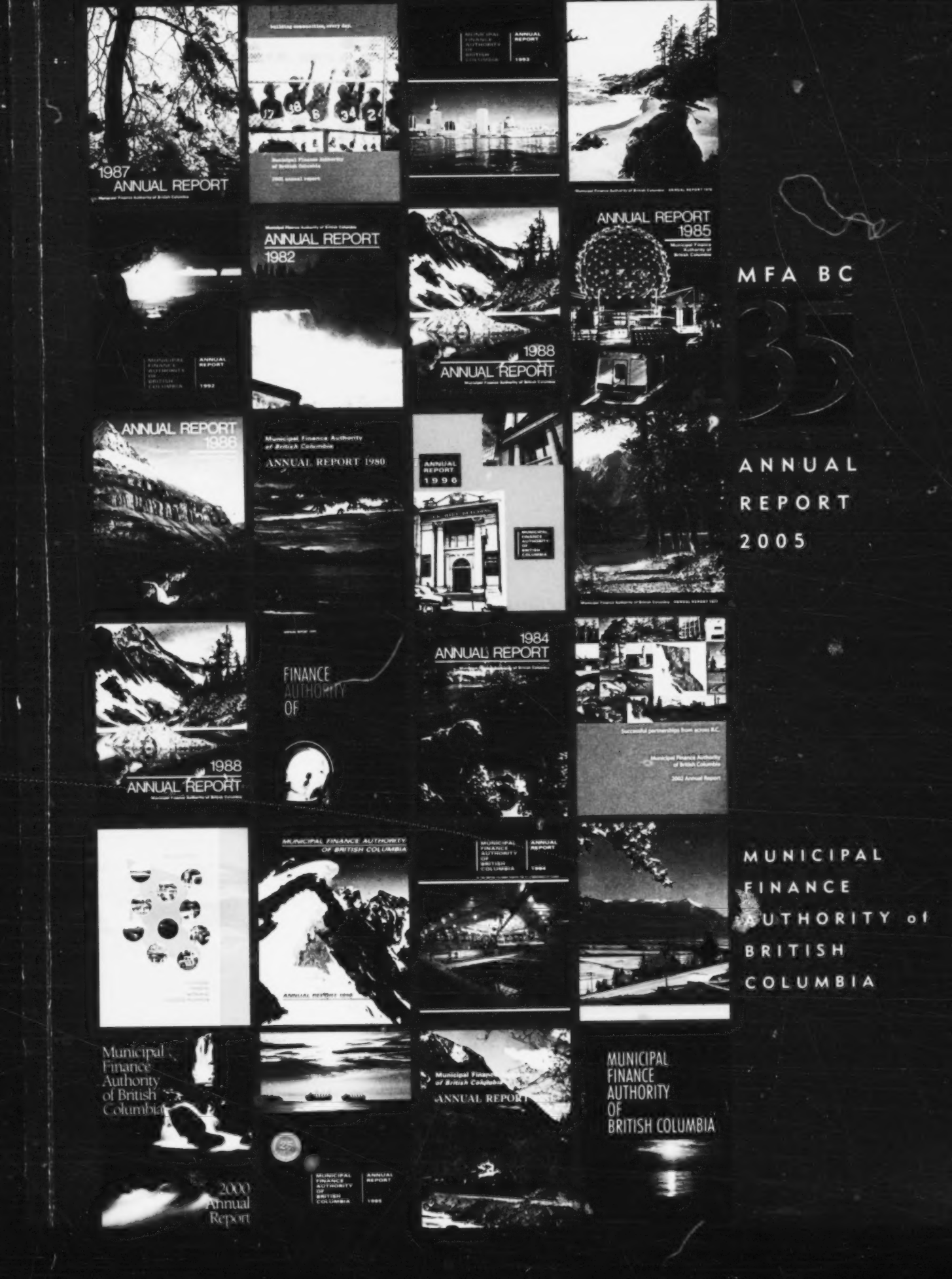

1987
ANNUAL REPORT
ANNUAL REPORT
1982
ANNUAL REPORT
1985
MFA BC
1988
ANNUAL REPORT
ANNUAL REPORT
1986
Municipal Finance Authority
of British Columbia
ANNUAL REPORT 1980
1996
ANNUAL
REPORT
2005
1984
ANNUAL REPORT
FINANCE
OF
1988
ANNUAL REPORT
MUNICIPAL FINANCE AUTHORITY
OF BRITISH COLUMBIA
MUNICIPAL
FINANCE
AUTHORITY of
BRITISH
COLUMBIA
Municipal
Finance
Authority
of British
Columbia
ANNUAL REPORT 1981
MUNICIPAL
FINANCE
AUTHORITY
OF
BRITISH COLUMBIA
2000
Annual
Report


1987 ANNUAL REPORT
ANNUAL REPORT 1993
ANNUAL REPORT 1985
MFA BC
ANNUAL REPORT 1982
1988 ANNUAL REPORT
ANNUAL REPORT 1992
ANNUAL REPORT 1986
Municipal Finance Authority of British Columbia ANNUAL REPORT 1980
ANNUAL REPORT 1996
ANNUAL REPORT 2005
1988 ANNUAL REPORT
FINANCE AUTHORITY OF
1984 ANNUAL REPORT
Municipal Finance Authority of British Columbia 2002 Annual Report
MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA
MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA ANNUAL REPORT 1994
MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA
Municipal Finance Authority of British Columbia
2000 Annual Report
MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA ANNUAL REPORT 1995
Municipal Finance Authority of British Columbia ANNUAL REPORT
MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

100 Mile House Abbotsford Adams Lake Indian Band Alberni-Clayoquot Alert Bay Anmore Armstrong Ashcroft Association of Yukon Communities Barriere Improvement District Belcarra Bighorn, Alberta Bowen Island Bulkley-Nechako Burns Lake Cache Creek Campbell River Canmore, Alberta Capital Regional District Capital Housing Corporation Cariboo Castlegar Central Coast Central Kootenay Central Okanagan Regional District Central Saanich Ch-ihl-kway-uhk Tribe Society Chase Chemainus First Nations Chetwynd Children's and Women's Health Centre of BC Chilliwack CivicInfo BC Clinton Coldstream College of New Caledonia College of the Rockies Columbia Shuswap Colwood Comox-Strathcona Coquitlam Courtenay Cowichan Tribes Cowichan Valley CREST Creston Cumberland Dawson City, Yukon Dawson Creek Delta Duncan E-COMM East Kootenay Elkford Enderby Esquimalt Fernie Fort Nelson Fort St. James Fort St. John Fraser Basin Council Society Fraser Fort George Fraser Valley Fraser Valley Regional Library Fraser-Fort George Fruitvale Gibsons Gold River Golden Government Finance Officers Association Granisle Greenwood Harrison Hot Springs Hazelton Health Center of BC Hedley Improvement District Highlands Hope Hospital Foundation Houston Hudson's Hope Integrated Cadastral Interior Health Authority Invermere Kamloops Kamloops Indian Band Kaslo Kelowna Kelowna General Hospital Kent Keremeos Kimberley Kitimat-Stikine Kootenay Boundary Kootenay East Ladysmith Lake Country Lake Cowichan Langara Langford Lillooet Lumby Lytton Mackenzie Maple Ridge Masset McBride Merritt Metchosin Midway Millbrook First Nation Mission Montrose Mount Waddington Municipal Finance Authority of British Columbia Municipal Insurance Association Nakusp Namgis First Nation Nanaimo Nelson New Denver New Hazelton New Westminster Nootka Sound Economic Development Corp. North Central Municipal Association North Cowichan North Okanagan North Peace Airport Society North Saanich North Vancouver (District) Northern Rockies Oak Bay Okanagan-Kootenay Sterile Insect Release Okanagan-Similkameen Oliver Osoyoos Parksville Peace River Peachland Pemberton Penticton Pitt Meadows Port Alberni Port Alice Port Clements Port Coquitlam Port Edward Port Hardy Port McNeill Port Moody Pouce Coupe Powell River Prince George Prince Rupert Princeton Qualicum Beach Quesnel Radium Hot Springs Revelstoke Richmond Rossland Saanich Salmo Salmon Arm Sayward Seabird Island Indian Band Sechelt Shawnigan Improvement District Sicamous Sidney Sidney-Ferry Terminal Silverton Skeena-Queen Charlotte Slocan Smithers Songhees/Esquimalt First Nation Sooke South East Kelowna Irrigation District Sparwood Sparwood General Hospital Squamish Squamish-Lillooet Stewart Sto:lo Nation Stuart-Nechako Summerland Sunshine Coast Surrey Tahsis Taylor Telkwa Terrace Thompson-Nicola Tofino Trail Tumbler Ridge Tzeachten Indian Band T'it'q'et Nation Ucluelet Union of BC Municipalities University of Northern BC Valemount Vancouver Island Municipal Association Vancouver Island Regional Library Vanderhoof Vernon Victoria View Royal Village of Cormacks, Yukon Warfield Wells West Shore Parks & Recreation West Vancouver Westbank First Nation Westbank First Nation Taxation Whistler White Rock Williams Lake Zeballos

A proven track record of financial success

The success of the Municipal Finance Authority of British Columbia (MFABC) is proven through their excellent credit rating. What does that mean to our clients and to the people of British Columbia? It ensures that we are able to borrow debt at interest rates lower than the chartered banks and pass these savings on to our local government clients. This enables local governments across the province to do more to serve their communities. The credit for earning and maintaining our high rating rests squarely on the shoulders of a group of very dedicated people – local governments in BC, our Board of Trustees and staff.

MFA BC

35

1970 – 2005

2005 ANNUAL REPORT

Message from the Chair 3
MFA Members 2005 7
Financial Summary 15
Financial Statements F1

MFA BC

35

1970 – 2005

MFA Past Chairs

HUGH A. CURTIS

CAPITAL REGIONAL DISTRICT

Hugh entered politics in 1961 as a Councillor for the District of Saanich and was re-elected in 1964 for three consecutive terms. Hugh was the first Chair of the Capital Regional District, President of the Union of BC Municipalities, Vice-president of FCM, and first Chair of the Municipal Finance Authority of BC in 1971.

RON C. ANDREWS

GREATER VANCOUVER REGIONAL DISTRICT

While Ron was the second Chair of the MFA from 1972-1976, the first ever Canadian denomination Euro-bond was issued in May 1974. Ron served as a Councillor (Alderman) for the District of North Vancouver from 1958-1966 and as Mayor from 1967-1976.

JIM H. STUART

CENTRAL OKANAGAN REGIONAL DISTRICT

Jim became the third MFA Chair in 1977 and retired as Chair in 1988. During his time, the MFA received its first AAA rating, Assets/ Debt topped $1 billion, and research on the pooled investment fund program began.

R. DAN CUMMING

SQUAMISH LILLOOET REGIONAL DISTRICT

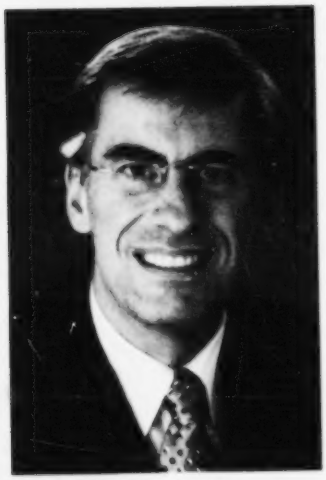
Dan held the position of MFA Chair from 1989-1996. During his term, the pooled investment program and interim financing started which took MFA off the tax roll. MFA presented its first dividend to clients in 1992 totalling $47,000. In 1996, First Nations Finance Authority joined the MFA pooled investment fund, and the leasing program was initiated and established. Also during his term, the Greater Vancouver utilities joined the MFA as clients.

LEN TRABOULAY

GREATER VANCOUVER REGIONAL DISTRICT

As fifth Chair of the MFA starting in 1997, Len had a passion for education. This lead to the founding of the MFA Education Fund (later named the Len Traboulay Education Fund). The First Nations Finance Authority agreement was started and the pooled investment fund topped $1 billion. Also, MFA dividends went up annually to $280,000. The Greater Vancouver Transportation Authority, E-comm. and Regional Hospital Districts joined the MFA as clients.

Message from the Chair



FRANK LEONARD, CHAIR
MUNICIPAL FINANCE AUTHORITY
OF BRITISH COLUMBIA

It is my pleasure to present the Authority's Annual Report for 2005 – our 35th year of operations. The year saw new records of activity reached in the Pooled Investments and the Commercial Paper funds, combined with an extremely busy capital borrowing program. The Authority raised capital for its clients through four debenture issues, one Community Bond, and one Federation of Canadian Municipalities (FCM) Green Fund loan.

A COOPERATIVE APPROACH BENEFITS ALL

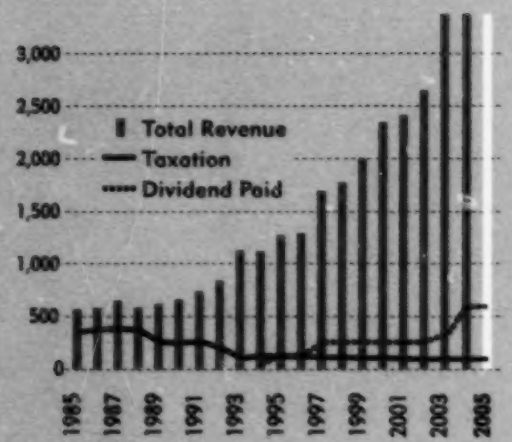
The benefits of our strong credit ratings were apparent in 2005. Each of our capital financings saw the MFA's borrowing rates stay below those of the Province of Ontario. The Authority is the only municipal borrower in Canada that can make this claim. These very low borrowing rates are passed on to all of BC's local governments, once again proving that "pooling local governments' borrowing needs benefits all of our clients, regardless of their population."

DEBENTURE ISSUES

The MFA launched two debentures in the spring of 2005. The first was a $63.4 million 10-year serial issue, whereby some principal is repaid each year, and carried interest rates from 3.10% to 4.70%. Relending rates to our clients were 4.25% for five-year borrowers and 4.55% for the 10 and 15-year projects. Our second debenture accommodated the 20 year requests and was a $118.3 million financing using a 20-year amortizing bond. The 20-year relending rate was set at 5.10%.

MFA Operating Revenues

Thousands $



Investment Pool Returns

as of December 31, 2005

Annual Rate of Return	One Year	Since Inception*
Bond Fund		
Municipal Finance Authority**	2.28%	7.98%
SC Short-Term Index**	2.17%	7.67%
Intermediate Fund		
Municipal Finance Authority**	2.15%	4.92%
SC 365-Day Treasury Bill Index**	1.96%	4.66%
Money Market Fund		
Municipal Finance Authority**	2.62%	5.59%
SC blended 30/91-Day T-Bill Index**	2.43%	5.34%

*Annual Rate of Return **After fees

Sinking Fund Yields – 2005

(Actuarial target = 4.00%)

Debt Fund	5.06%
Utilities	5.70%
TransLink	5.22%
Regional Hospital Districts	5.58%
Bondholder Protection:	
Debt Reserve Fund	3.62%

The Debt Reserve Fund is the first level of bondholder protection against a non-collection from an MFA client on its debt service payments. These investments are purposely kept of short duration. In 35 years, the Debt Reserve Fund has never been used.

One of our clients, the Village of New Denver, used our Community Bond program and raised $220,000 for a five-year term at a rate of 3.25% —a full 1.00% below the prevailing bond market rates. These monies were raised by selling MFA bonds to the citizens of New Denver, bypassing the normal process of financing in the capital markets.

Finally, MFA facilitated an $11.3 million loan from the FCM Green Fund to the City of Kamloops. MFA is a flow through agent for these loans and disbursed the monies to the City of Kamloops. MFA invoices the City for its debt service payments, and manages the sinking funds. The City's 10-year relending rate was established by the FCM Green Fund at 2.9% (1.50% below the Canada bond rate).

The fall of 2005 saw MFA initiate a 10-year and a 20-year bullet issuance. The 10-year bullet raised $167 million for our clients at a relending rate of 4.15%, while the 20-year bullet financed $50 million at 4.60%, a full half percent below the spring rate.

POOLED INVESTMENT FUNDS

Another record year occurred in our Pooled Investment Funds. At its peak in the summer, total funds under administration topped $1.7 billion. The five basis points (.0005) MFA collects as an administrative fee covers 40% of our costs of operations. Strong performance by Phillips, Hager & North, in uncertain markets, helped push past the previous high of $1.5 billion.

SHORT-TERM DEBT PROGRAMS

The Interim Financing (short-term monies) and Leasing programs were well utilized by our clients, peaking at $241 million and $60 million respectively. Capitalizing on our excellent ratings, our clients can access financing at bank prime less

106-03648/

1.25% for Interim Financing requests, and bank prime less 1.00% for leases.

The funding for these two programs is raised by the Authority's staff under its Commercial Paper Program. Again, because of our credit rating, short term monies are borrowed in the markets at rates below those available through chartered banks. Total interest savings, passed on to our clients through lower interest rates, exceeded $300,000.

SINKING FUND SURPLUSES, STOPPED PAYMENTS AND DIVIDENDS

Our Sinking Funds, the principal repayments made by our clients on their debt borrowings, accumulated interest earnings in excess of budget. Thus, we issued surplus cheques to local governments totaling $9.2 million. A further $5.0 million in future debt payments was stopped and will not need to be collected.

Dividends paid to BC's local governments for 2005 continued at an annual rate of $600,000. Since 1992, the Authority has returned to its clients $3.92 million from operating surpluses. To date, the MFA is the only municipal borrowing entity in Canada that returns a dividend. These dividends are the operating revenues remaining after covering all the costs of operations, each year.

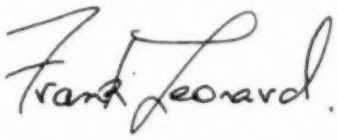
ACKNOWLEDGEMENTS

Inside this 35th annual report we recognize the contributions of the five previous Chairs of the Authority, and pay tribute to MFA's first employee, Yvonne Meechan, who was employed at the MFA for 26 years (1971-1997). Nostalgic pictures are spread throughout – you may recognize some names and faces from our past.

Some things have remained constant, though, and this is particularly true of the outstanding performance of our professional staff. I have referred to "excess income," "operating surpluses," "earnings in excess of budget," and "rates below market" in my report – and all of this is the product of the small but dedicated team that serves the MFA. On behalf of local government in BC, it is my pleasure to thank them.

I would also like to acknowledge the work of Vice-Chair Colin Kinsley and your Board of Trustees. Elected by the Members, the Trustees have guided this organization through a variety of issues with remarkable success. As a group, we have worked together for many years, but now it is time to welcome new faces and new ideas. Nonetheless, to our retiring Trustees, I extend our thanks and add that I am personally grateful for their wisdom, guidance and dedication.

Thank you.



FRANK LEONARD, CHAIR
MUNICIPAL FINANCE AUTHORITY
OF BRITISH COLUMBIA

MFA BC

35

1970 – 2005

TIMELINE 1970 – 1976

1970

Municipal Finance Authority of BC formed by Act, to provide capital financing to local governments of BC.

1971

Hugh A. Curtis,
Capital Regional District
Inaugural Chair

First MFA Debenture Issue launched

1972

R. C. Andrews,
Greater Vancouver Regional District
2nd Chair 1972-1976

1974

The first ever Canadian Dollar denomination Euro-bond issuance, May 1974

1976

Debt outstanding at year end = $312 million

Issue #1, October 1971
Photo at right (l-r): A. H. Gordon, R. W. (Bill) Long and R. C. Andrews

Front Row, Board of Trustees (L – R): G. Furney, V. Durman, R. Hobson, M. Coleman, F. Leonard, C. Kinsley, B. Sharp, J. Ranta, D. MacLean, K. Kumagai; Middle Row, Members (L – R): D. Gray, R. Kahlon, J. Talstra, K. Goodings, R. Murray, R. Martin, B. Pages, C. Causton J. Voykin, C. Palmer, J. Kingsbury, M. Kokura; Back Row, Members (L – R): A. Richmond, R. Hardie, J. Oglow, G. Deck, J. Stanhope, D. Corrigan, M. Grinnell, B. Matthews, E. Steeves, T. Raymond, M. Hunt, D. Ashton; Absent from photo: T. Corbould

MFA Members 2005

The Municipal Finance Authority represents every community in BC

The MFA is comprised of 35 appointed Members representing each of British Columbia's 27 regional districts. Some regional districts are entitled to appoint more than one Member based on larger populations. MFA Members in turn elect ten Trustees at the Annual General Meeting. The Board of Trustees is comprised of a Chair, Vice-Chair and eight Trustees.

Of the ten Trustees, four must be from the Greater Vancouver Regional District, one from the Capital Regional District, and five from the remaining regional districts. The Board of Trustees works closely with staff year round to determine the policies that guide the MFA's operations.

The Members of the MFA meet twice each year, once at the Annual General Meeting in March and again in September or October at the Semi-annual Meeting.

REGIONAL DISTRICT	MEMBER APPOINTED	ALTERNATE
Alberni-Clayoquot	M. Kokura	H. Chopra
Bulkley-Nechako	S. Smith	R. Murray
Capital	F. Leonard*	A. Habkirk
Capital	C. Causton	A. Lowe
Cariboo	A. Richmond	
Central Coast	T. Corbould	B. Clerx
Central Kootenay	J. Voykin	H. Cunningham
Central Okanagan	R. Hobson*	A. Dinwoodie
Columbia Shuswap	R. Martin	T. Bacigalupo
Comox-Strathcona	B. Matthews	
Cowichan Valley	M. Coleman*	
East Kootenay	G. Deck	K. Trescher
Fraser-Fort George	C. Kinsley*	
Fraser Valley	T. Raymond	S. Pranger
Greater Vancouver	J. Kingsbury	W. Wright
Greater Vancouver	V. Durman*	R. Wood
Greater Vancouver	M. Hunt	D. McCallum
Greater Vancouver	B. Sharp*	S. Young
Greater Vancouver	D. MacLean*	L. Jackson
Greater Vancouver	K. Kumagai*	M. Brodie
Greater Vancouver	M. Grinnell	G. Martin
Greater Vancouver	D. Corrigan	K. Morse
Kitimat-Stikine	J. Talstra	H. Nyce
Kootenay Boundary	R. Hardie	S. Jensen
Mount Waddington	G. Furney*	
Nanaimo	J. Stanhope	D. Haime
North Okanagan	J. Oglow	S. Field
Northern Rockies	T. Craddock	D. Gray
Okanagan-Similkameen	D. Ashton	G. Hanson
Peace River	K. Goodings	A. Erbe
Powell River	C. Palmer	R. Willow
Skeena-Queen Charlotte	B. Pages	
Squamish-Lillooet	R. Kahlon	J. Turner
Sunshine Coast	E. Steeves	J. Rees
Thompson-Nicola	J. Ranta*	B. Walker

*Trustee

OFFICERS

Executive Director	Steve Berna
Director of Finance	Graham Egan

MFA BC

35

1970 – 2005

TIMELINE 1977 – 1988

1977

Jim H. Stuart,
Central Okanagan Regional District,
3rd Chair 1977-1988

1980

Moody's Investors Service assigned AAA rating to MFABC

1982

Assets/Debt topped $1 billion

1987

Research on Pooled Investment Funds started

1988

Debt outstanding at year end = $1.12 billion

Past Chairs Hugh Curtis and Jim Stuart

March 1979—MFA Board of Trustees
L-R: Mayor Peter Lester, Prince Rupert; J.M. Campbell, Capital Regional District; Mayor Charles Lasser, Chetwynd; Mayor Muni Evers, New Westminster; Ald. Jim Stuart, Kelowna and also Chair of the MFA; Paul Smith, Chair of Nanaimo Regional District and Mayor Bill Vogel, Surrey

An effective, well-organized team

STEVE BERNA, CA EXECUTIVE DIRECTOR

Steve oversees the MFA's operations and works closely with the MFA's Board of Trustees to establish programs and new financial products and services. His main responsibilities are capital financing and debt restructuring, as well as building strong working relationships with MFA clients and its underwriting syndicate. Steve is also the voice of MFA at international conferences.

GRAHAM EGAN, CA DIRECTOR OF FINANCE

Graham is responsible for managing investments, as well as debt issue maintenance, projection of sinking fund surpluses, stop payments, and future debt costs. Graham also administers the Debt Reserve Fund, supervises the accounting department, oversees the preparation of the annual financial statements, and coordinates information system and software development.

SHELLEY HAHN MANAGER OF FINANCIAL SERVICES

Shelley oversees the day-to-day accounting for all of our programs. She prepares our monthly and annual financial statements and manages the Commercial Paper Program. Shelley is responsible for coordinating and administering all bylaws supporting our debt issuance and works with the Ministry of Community Services on bylaw and borrowing issues. Shelley is a board member of the Government Finance Officers Association of BC.

ALLISON BOYD EXECUTIVE ASSISTANT

Allison works closely with the Executive Director and is responsible for organizing MFA Members' activities, including Board of Trustees' meetings and the Financial Forum. She is responsible for the layout and design of the MFA's annual report, the MFA website, brochures and marketing material. Allison is also a board member of the Len Traboulay Education Fund Committee.

RENATA HALE, CGA SENIOR ACCOUNTANT

Renata works closely with the Manager of Financial Services in maintaining the accounting records for the Capital Financing Program. She administers disbursements under the Province's former Sewer and Water grants program and is also responsible for the Pooled Investment Funds Program. Renata also assists Jane Morrison with the Leasing Program.

JANE MORRISON, B.A. Econ. ACCOUNTANT

Jane is responsible for the daily operations of our Leasing Program and the Interim Financing Program. She also oversees long-term debt invoicing and calculates the dividends payable to our Interim Financing and Leasing clients. Jane also assists Meagan Carver with the Municipal Investment Plan.

MEAGAN CARVER, B.COMM. ACCOUNTING ASSISTANT

Meagan is responsible for the daily administration of the operating fund and also promotes our Municipal Investment Plan. She assists with the monthly accounting processes and with the Pooled Investment Fund. Meagan also assists Jane Morrison with the Interim Financing Program.

LORNA ARMITAGE ADMINISTRATIVE ASSISTANT

Lorna is the voice you hear and the face you see on the front lines of the MFA. She is responsible for the MFA's communication systems, the maintenance of our data bases, mass mail distributions and office supply ordering. As our in-house travel agent, Lorna also arranges all staff travel and assists all staff with their administrative functions.

TYLER THOMPSON FINANCE & ADMINISTRATIVE ASSISTANT

Tyler is responsible for the collection, data entry and filing of information from our clients' financial statements and loan authorization bylaws. He is also responsible for surplus and dividend letter production as well as general presentations. Tyler organizes the collection of the annual ratings information and prepares it for MFA's annual review in New York.

What can the MFA do for you?

AN INDEPENDENT COLLECTIVE STRUCTURE

The Municipal Finance Authority of British Columbia was formed in 1970 to promote the financial well-being of local governments throughout BC. We do that with a simple yet effective collective structure that operates much like a credit union, pooling the borrowing needs and the investment needs of BC local governments and providing a wide range of other low-cost, flexible financial services. The MFA is 100% owned by BC local governments.

WHAT DOES THE MFA DO?

We provide capital financing, investment, leasing and short-term financial services to local governments and public institutions across BC.

WHY BORROW THROUGH THE MFA?

With MFA's strong credit rating it allows local government to receive funding at interest rates below those available to chartered banks in Canada.

WE CAN DO MORE FOR YOUR COMMUNITY

We do much more than raise money for capital projects. The MFA also offers three programs that your local government or organization can use to make the most of its financial resources.

1. Invest surplus funds at better than market rates—professionally managed.
2. Arrange low-cost, flexible leases (prime less 1%)—in or out on one day's notice with no penalties.
3. Provide short-term financing at attractive rates (prime less 1.25%)—in or out on one day's notice with no penalties.

Think of us as local governments' banker—a financial service provider that understands the uniqueness of your community.

FINANCIAL FORUM

Each year, in conjunction with our Annual General Meeting, the MFA offers a complementary one-day Financial Forum to provide networking and education opportunities that expose local governments to new or timely topics. These sessions are presented by experts in the topic area.

EDUCATION PROGRAM

The Len Traboulay Education Fund provides financial assistance to BC's colleges and universities who are developing courses for local government staff and elected officials. The Fund has provided assistance to colleges and universities in most areas of the province.

COMMUNITY WORKSHOPS

Each year we arrange a series of free workshops to address issues that are critical to local communities. We explore new ways of doing business and alternative financial management techniques by promoting community solutions that encourage regions to work together.

SINKING FUNDS

Principal repayments on debt borrowed by our clients are managed internally, and the earnings on these investments accumulate to pay off our debt outstanding. On a typical 20-year loan, local governments repay 66% of the money borrowed, and we earn the other 34% for them.

DIVIDEND AND SURPLUS

Monies not needed to pay for operations are returned to our clients as dividends—$600,000 in 2005. Investment earnings that exceed the amounts needed to cover our debt commitments are returned as surpluses—$14.2 million in 2005 ($9.2 million in surplus cheques, and a further $5.0 million in stopped payments).

MUNICIPAL INVESTMENT PROGRAM

This is a voluntary program for municipal employees, elected officials and their partners that offers substantially lower management fees than your chartered bank. These savings are passed onto you as increased returns. MFA, with the chosen service provider, Sun Life, offers an extensive selection of funds to choose from in both the registered and non-registered categories.

COMMUNITY BONDS

Community Bonds are an alternative to conventional borrowing. Funding is by local citizens through your community. Citizens can buy the bonds in support of your local government capital project, which creates a strong sense of ownership in the community. Bonds are endorsed by MFA's high credit rating. Interest rates on these loans are below market rates.

Contact us today for more information on any of these programs and services. See page F44 for contact information.

Client Participation in MFA Programs

From regional districts to municipalities to first nations to regional libraries, the Municipal Finance Authority of BC is helping to build local communities across British Columbia. All in all, more than 280 groups participate in at least one of our four voluntary programs: Pooled Investments, Interim Financing, Leasing and the Municipal Investment Plan.

In addition to being able to finance capital projects at low interest rates, participants receive dividends on three of the programs, save money on short-term borrowing, and lease equipment or rolling stock at preferred rates. The Municipal Investment Plan allows municipal elected officials, staff and spouses access to registered and non-registered investment funds for their personal retirements at reduced management fees compared to market rates. Indicated below are the MIP participants that contribute through payroll deductions.

PI = Pooled Investments
IF = Interim Financing
LE = Leasing
MIP = Municipal Investment Plan

√ = Yes = "In program"
• = no = "not in program"
◊ = "not applicable or not available"

REGIONAL DISTRICTS:	PI	IF	LE	MIP		PI	IF	LE	MIP		PI	IF	LE	MIP
Alberni-Clayoquot	√	•	√	•	Cowichan Valley	√	√	√	√	North Okanagan	√	√	√	•
Bulkley-Nechako	√	√	√	√	East Kootenay	√	•	√	•	Northern Rockies	√	•	√	√
Capital	√	•	√	•	Fraser-Fort George	√	√	•	•	Okanagan-Similkameen	√	•	√	•
Cariboo	√	•	√	•	Fraser Valley	√	√	√	•	Peace River	√	•	•	√
Central Coast	√	•	√	•	Greater Vancouver	•	•	•	•	Powell River	√	√	√	•
Central Kootenay	√	√	√	•	Kitimat-Stikine	√	•	•	√	Skeena-Queen Charlotte	√	•	√	•
Central Okanagan	√	•	√	•	Kootenay Boundary	√	√	√	√	Squamish-Lillooet	√	•	√	√
Columbia Shuswap	√	√	•	√	Mount Waddington	√	•	√	•	Sunshine Coast	√	√	√	√
Comox-Strathcona	√	√	√	√	Nanaimo	√	√	√	•	Thompson-Nicola	√	•	√	•

MUNICIPALITIES:	PI	IF	LE	MIP		PI	IF	LE	MIP		PI	IF	LE	MIP
100 Mile House	√	√	•	•	Fruitvale	•	√	√	•	Metchosin	√	•	√	•
Abbotsford	√	•	•	•	Gibsons	√	√	•	•	Midway	√	•	√	•
Alert Bay	√	√	√	•	Gold River	√	•	•	•	Mission	√	•	•	√
Anmore	√	•	√	•	Golden	√	•	√	•	Montrose	√	•	√	•
Armstrong	√	•	√	√	Grand Forks	•	•	√	•	Nakusp	√	√	√	•
Ashcroft	√	√	√	•	Granisle	√	•	√	•	Nanaimo	√	•	•	•
Belcarra	√	•	√	•	Greenwood	√	•	√	•	Nelson	√	√	√	•
Bowen Island	√	√	√	•	Harrison Hot Springs	•	•	√	•	New Denver	√	•	√	•
Burnaby	•	•	•	•	Hazelton	√	•	•	√	New Hazelton	√	•	•	•
Burns Lake	√	•	√	•	Highlands	•	•	√	•	New Westminster	√	•	•	•
Cache Creek	√	•	•	√	Hope	√	•	√	√	North Cowichan	•	•	√	•
Campbell River	√	•	√	•	Houston	√	√	√	•	North Saanich	•	•	√	•
Canal Flats	•	•	•	•	Hudson's Hope	•	•	√	•	North Vancouver (City)	•	•	•	√
Castlegar	√	•	•	•	Invermere	√	√	√	√	North Vancouver (District)	√	•	√	•
Central Saanich	√	•	•	√	Kamloops	√	√	√	•	Oak Bay	√	•	√	•
Chase	√	•	√	•	Kaslo	√	•	√	•	Oliver	√	•	√	√
Chetwynd	√	•	√	•	Kelowna	√	•	•	•	Osoyoos	•	•	√	√
Chilliwack	√	•	•	•	Kent	√	•	√	•	Parksville	√	√	•	•
Clinton	√	•	√	•	Keremeos	√	√	√	•	Peachland	√	√	√	•
Coldstream	√	√	√	•	Kimberley	√	•	√	•	Pemberton	√	√	√	•
Colwood	√	•	√	•	Kitimat	√	•	•	√	Penticton	√	√	•	•
Comox	√	√	√	•	Ladysmith	√	•	√	√	Pitt Meadows	•	•	•	•
Coquitlam	√	•	•	•	Lake Country	√	√	•	•	Port Alberni	√	√	√	•
Courtenay	√	√	√	•	Lake Cowichan	√	•	√	•	Port Alice	√	•	•	√
Cranbrook	•	√	•	•	Langford	√	√	√	•	Port Clements	√	•	•	•
Creston	√	√	√	•	Langley (City)	•	•	•	•	Port Coquitlam	√	•	•	•
Cumberland	√	√	√	•	Langley (Township)	•	•	•	•	Port Edward	√	√	√	•
Dawson Creek	•	•	•	•	Lantzville	√	•	√	√	Port Hardy	√	•	√	•
Delta	•	•	√	•	Lillooet	√	•	•	•	Port McNeill	√	•	•	•
Duncan	√	√	√	•	Lions Bay	•	•	•	•	Port Moody	√	•	√	•
Elkford	•	•	√	•	Logan Lake	•	•	•	•	Pouce Coupe	√	•	√	•
Enderby	√	•	•	•	Lumby	√	•	•	•	Powell River	√	√	√	•
Esquimalt	√	•	√	•	Lytton	•	•	√	•	Prince George	√	•	√	•
Fernie	√	•	√	•	Mackenzie	√	•	√	•	Prince Rupert	√	√	√	•
Fort Nelson	•	•	√	•	Maple Ridge	√	•	•	•	Princeton	√	•	•	•
Fort St. James	•	•	√	•	Masset	√	•	√	•	Qualicum Beach	√	•	√	•
Fort St. John	√	√	√	√	McBride	√	•	√	•	Queen Charlotte	√	•	•	•
Fraser Lake	•	•	•	•	Merritt	√	√	√	•	Quesnel	√	√	•	•

MFA BC

35

1970 – 2005

TIMELINE 1989 – 1996

1989

R. Dan Cumming,
Squamish Lillooet Regional District,
4th Chair 1989-1996

Pooled Investment Funds (PIF) started

Interim Financing (IF) started

1992

First MFA dividend of $47,000

The PIF & IF took MFA off the Tax Roll

1993

Dividends began to exceed Tax Levy

1995

Pooled Leasing Program initiated and established (Prime – 1%)

1996

Greater Vancouver utilities join MFA as clients

First Nations Finance Authority (FNFA) joins PIF

Debt outstanding at year end = $2.0 billion

May 1, 1989
$391,000 cheque presented for deposit into MFA pooled investment funds

L-R: Bill Fomich, GVRD; Rita Johnston, Minister of Municipal Affairs; Dan Cumming, MFA Chair

Client Participation in MFA Programs continued

MUNICIPALITIES (CONT.):	PI	IF	LE	MIP
Radium Hot Springs	√	•	√	•
Revelstoke	√	√	√	•
Richmond	√	•	√	•
Rossland	√	√	√	•
Saanich	√	√	√	√
Salmo	√	•	√	√
Salmon Arm	√	√	•	•
Sayward	√	•	√	•
Sechelt	√	•	•	•
Sicamous	√	•	•	√
Sidney	√	√	√	•
Silverton	√	√	√	•
Slocan	√	•	•	•
Smithers	√	√	√	•
Sooke	√	√	√	•
Spallumcheen	•	•	•	•
Sparwood	√	•	√	•
Squamish	•	√	•	•
Stewart	√	•	√	•
Summerland	√	•	•	•
Surrey	√	•	•	•
Tahsis	√	•	•	•
Taylor	√	√	√	•
Telkwa	√	√	•	•
Terrace	√	•	•	•
Tofino	√	•	√	•
Trail	√	•	√	•
Tumbler Ridge	√	•	√	•
Ucluelet	√	•	√	•
Valemount	√	•	√	•
Vanderhoof	•	•	•	•
Vernon	√	•	•	•
Victoria	√	•	√	•
View Royal	√	•	√	•
Warfield	√	•	√	•
Wells	•	•	√	•
West Vancouver	√	•	•	•
Whistler	√	•	•	•
White Rock	√	•	√	•
Williams Lake	√	√	√	•
Zeballos	√	•	√	•

FIRST NATIONS:	PI	IF	LE	MIP
Adams Lake Indian Band	√	◊	◊	•
Bonaparte Indian Band	√	◊	◊	•
Chawathil Indian Band	√	◊	◊	•
Chemainus First Nations	√	◊	◊	•
Ch-ihl-kway-uhk Tribe Society	√	◊	◊	•
Cowichan Tribes	√	◊	◊	•
First Nations Finance Authority	√	◊	◊	•
Kamloops Indian Band	√	◊	◊	•
Kwaw Kwaw Pilt Band	√	◊	◊	•
Matsqui Band	√	◊	◊	•
Millbrook First Nation	√	◊	◊	•
Namgis First Nation	√	◊	◊	•
Seabird Island Indian Band	√	◊	◊	•
Sliammon First Nation	√	◊	◊	•
Songhees/Esquimalt First Nation	√	◊	◊	•
Sto:lo Nation	√	◊	◊	•
T'it'q'et First Nation	√	◊	◊	•
Tsawwassen First Nation	√	◊	◊	•
Tzeachten Indian Band	√	◊	◊	•
Westbank First Nation	√	◊	◊	•
Westbank First Nation Taxation	√	◊	◊	•

HOSPITAL/REGIONAL HOSPITAL DISTRICTS:	PI	IF	LE	MIP
Alberni-Clayoquot	•	√	◊	•
Bulkley-Nechako	•	•	◊	•
Capital	•	√	◊	•
Cariboo/Cariboo-Chilcotin	•	•	◊	•
Central Coast	√	•	◊	•
Central Kootenay	•	•	◊	•
Central Okanagan	•	√	◊	•
Children's and Women's Health Center of BC	√	•	◊	•
Columbia-Shuswap	•	•	◊	•
Comox-Strathcona	•	•	◊	•
Cowichan Valley	•	•	◊	•
Delta General Hospital	√	•	◊	•
Fraser Valley	•	•	◊	•
Fraser-Fort George	•	√	◊	•
Kitimat-Stikine/Northwest	•	•	◊	→
Kootenay Boundary	•	√	◊	•
Kootenay East/ East Kootenay	√	√	◊	•
Mount Waddington	•	•	◊	•
Nanaimo	•	√	◊	•
Northern Rockies/ Fort Nelson-Liard	•	•	◊	•
North Okanagan Health	√	•	◊	•
Northwest	•	√	◊	•
Okanagan-Similkameen	√	•	◊	•
Peace River	•	√	◊	•
Powell River	•	•	◊	•
Sea to Sky Regional Hospital	√	•	◊	•
Skeena-Queen Charlotte	•	•	◊	•
Sparwood General Hospital	√	•	◊	•
Squamish-Lillooet	•	√	◊	•
Stuart-Nechako	√	•	◊	•
Sunshine Coast	•	•	◊	•
Thompson/Thompson-Nicola	•	√	◊	•
West Kootenay Boundary	•	√	◊	•

OTHERS:	PI	IF	LE	MIP
Association of Kootenay Boundary	√	◊	◊	•
Association of Yukon Communities	√	◊	◊	◊
Barriere Improvement District	√	◊	◊	•
Bighorn, Alberta	◊	◊	√	◊
Bluewater, Ontario	◊	◊	√	◊
Canmore, Alberta	◊	◊	√	◊
Village of Carmacks, Yukon	√	◊	◊	◊
Capital Regional Housing Corporation	√	◊	◊	•
Central Huron, Ontario	◊	◊	√	◊
CivicInfo BC	√	◊	◊	√
Comox Fire Protection	√	◊	◊	•
CREST	•	√	√	•
Dawson City, Yukon	•	◊	√	◊
E-Comm	•	√	•	•
Fraser Basin Council Society	√	◊	◊	•
Fraser Valley Regional Library	√	◊	◊	•
Gananoque, Ontario	◊	◊	√	◊
Government Finance Officers' Association	√	◊	◊	•
Greater Napanee, Ontario	◊	◊	√	◊
Greater Victoria Library	√	◊	√	•
Hedley Improvement District	√	◊	◊	•
Integrated Cadastral Society	√	◊	◊	•
Iroquois Falls, Ontario	◊	◊	√	◊
Islands Trust	√	◊	◊	•
Kaleden Recreation	√	◊	◊	◊
Lambton Shores, Ontario	◊	◊	√	◊
Local Government Management Association	√	◊	◊	•
Lower Mainland Municipal Association	√	◊	◊	•
Lund Improvement District	√	◊	◊	•
Mounte Park Estates Improvement District	√	◊	◊	•
Municipal Finance Authority of British Columbia	√	√	•	√
Municipal Insurance Association	√	◊	◊	•
Nootka Sound Economic Development Corp.	√	◊	◊	•
North Central Municipal Association	√	◊	◊	•
Northern Development Initiative Trust	√	◊	◊	•
North Island 911 Corporation	•	◊	◊	√
North Peace Airport Association	√	◊	◊	•
North West Regional Advisory Committee	√	◊	◊	•
Okanagan-Kootenay Sterile Insect Release	•	√	◊	•
Okanagan Mainline Municipal Association	√	◊	◊	•
Oliver Parks & Recreation	√	◊	◊	•
Peace River Regional Advisory Committee	√	◊	√	•
Port Alberni Harbour Commission	√	◊	◊	•
Razor Point Improvement District	√	◊	◊	•
Shawnigan Improvement District	√	◊	◊	•
South East Kelowna Irrigation District	√	◊	◊	•
Tecumseh, Ontario	◊	◊	√	◊
Thorold, Ontario	◊	◊	√	◊
Union of BC Municipalities	√	◊	◊	√
Vancouver Island Municipal Association	√	◊	◊	•
Vancouver Island Regional Library	√	◊	◊	•
Welland, Ontario	◊	◊	√	◊
West Shore Parks & Recreation	•	•	√	•

SCHOOL DISTRICT/ COLLEGES/UNIVERSITIES:	PI	IF	LE	MIP
College of New Caledonia	•	◊	√	•
College of the Rockies	√	◊	•	•
Langara College	•	◊	√	•
School District #6	√	◊	◊	•
School District #50	√	◊	◊	•
School District #75	√	◊	◊	•
University of Northern BC	√	◊	•	•

MFA BC

35

1970 – 2005

TIMELINE 1997 – 2005

1997

Len Traboulay,
Greater Vancouver Regional District
5th Chair (1997-2000)

FNFA agreement started

1998

PIF top $1 billion

MFA Education Fund started

Emergency Communications (E-Comm) for Southwest British Columbia Incorporated joined MFA as a client

1999

Greater Vancouver Transportation Authority and Regional Hospital Districts join MFA as clients

Debt outstanding at year end = $3.1 billion

2000

MFA Education Program name changed to Len Traboulay Education Fund

2001

Frank Leonard,
Capital Regional District, 6th Chair
(2001–current)

Community Workshop Program established

2003

Started the Municipal Investment Program —for all municipal staff, elected officials and spouses.

2004

First "sub-Ontario" level of financing

2005 MFA Financial Forum
Front row (l-r): H. Curtis, J. Craven, F. Leonard, P. Restler
Back row (l-r): D. Wilson, S. Berna, D. Cumming

Financial Summary

THOUSANDS OF DOLLARS

AT DECEMBER 31	2005	2004
CAPITAL FINANCING		
Total assets	**4,881,165**	5,070,212
Loans to clients outstanding	**3,262,912**	3,265,060
Long-term debt outstanding	**4,005,947**	3,910,640
Investments, including sinking funds	**1,051,810**	1,122,924
Long-term debt, net of investments	**2,954,137**	2,787,716
Short-term loans outstanding	**143,773**	229,579
Debt Reserve Fund, total assets	**272,703**	260,733
YEAR ENDED DECEMBER 31		
Long-term:		
New loans to clients	**410,379**	365,637
Loan repayments from clients	**389,651**	291,286
New debt issued	**531,230**	389,296
Debt retired	**459,385**	204,459
Interest paid	**243,751**	235,639
Investment income	**77,637**	73,261
Short-term:		
New loans to clients	**177,973**	338,079
Loan repayments from clients	**263,779**	234,367
Debt issued (repaid)	**(80,303)**	136,263
Interest paid	**8,919**	10,231
POOLED INVESTMENTS		
Money Market Fund – Unitholders' Equity	**1,143,995**	896,954
Intermediate Fund – Unitholders' Equity	**167,814**	112,034
Bond Fund – Unitholders' Equity	**201,687**	191,875

Yvonne Meechan was the first employee of the Municipal Finance Authority of British Columbia and carried MFA in her heart until her retirement in 1997. During these times, Yvonne worked with five Chairs and three Executive Directors, as well as numerous co-workers. Yvonne's dedication and intelligence helped develop MFA in to what it is today. In 1995, Yvonne was the first and only person to receive the MFA medal for 25 years of service.

Through Yvonne's creativity, organization and knowledge, MFA presented many beautiful Annual Reports and hosted many successful Financial Forums. She will be remembered for her warm-heartedness and courage to live each day to the fullest, as well as for her affection for and dedication to the MFA.

- MFA's first employee (1971 – 1997)
- First and only person to receive the MFA medal for 25 years of service

In Memoriam

Yvonne Irene Meechan

April 3, 1937 – November 13, 2003

INFORMATION FOR INVESTORS AND FINANCIAL STATEMENTS

Information for Investors

Investor Highlights F3
The Municipal Finance Authority at a Glance F5

Capital Financing

Auditors' Report F9
Consolidated Balance Sheets F10
Consolidated Statements of Revenue, Expenditure and Surplus ... F12
Consolidated Statements of Cash Flows F14
Notes to Financial Statements F16
Debt Fund – Schedule of Long-term Debt F22
Debt Fund – References to Schedule of Long-term Debt F26
Schedule of Loans to Clients 2005 ..... F27
Ten-year Review – Consolidated Funds F28
Bond Issues F30

Pooled Investments

Auditors' Report F35
Statements of Net Assets F36
Statement of Operations and Unitholders' Equity F37
Statement of Changes in Net Assets F38
Notes to Financial Statements F39
Money Market Fund – Schedule of Investments F40
Intermediate Fund – Schedule of Investments F41
Bond Fund – Schedule of Investments F42

Contact Information F44

INVESTOR HIGHLIGHTS

The information presented below provides some ratio information for investors and should be read in conjunction with the Message from the Chair report, which provides financial highlights for the year 2005.

During 2005, many MFA clients completed forward-looking capital borrowing plans. Once completed, these plans allowed the MFA to notify investors of the probable future borrowing requirements starting in 2006 and projecting into 2011. While the majority of our borrowings will be 10 years in term, it is probable that a few 20-year and 30-year debentures will also be issued. The expected issuance is detailed in the following chart.

FUTURE DEBT ISSUANCE ($ MILLIONS)

New Debt	$ 500	750	761	669	187	330
Refinancings	88	127	184	379	21	279
	$ 588	877	945	1,048	208	609

These debt issuances, in accordance with previous MFA practice, will focus on early June or early December maturity dates. The great majority of the above borrowings will be for sewer, water or transportation capital projects.

MUNICIPAL RATIOS: AS AT DECEMBER 31, 2005

i) **Municipal Reserves vs. Net Debt:**

Total Municipal Reserves (cash and investments)	$3,727,165,000	= 1.26:1
Net Debt (gross debt less sinking fund investments)	$2,954,137,000	

ii) **Net Debt to Taxable Assessments:**

Current Net Debt	$2,954,137,000	= 0.59%
Taxable Assessments	$494,700,000,000	

The MFA can levy a tax on these assessments to cover payments due to bondholders.

iii) **Debt Service Payments to Total Revenues: local governments**

2005 Current Debt Service	$278,013,402	= 4.50%
Consolidated Revenues	$6,179,079,212	

The Community Charter allows up to a maximum of 25% of re-occurring consolidated revenues to service debt.

iv) **Future Net Debt to Taxable Assessments:**

2009 Net Debt	$5,139,000,000	= 1.04%
2005 Taxable Assessments	$494,700,000,000	

Given the infrastructure plans, it is anticipated that MFA's Net Debt will peak in 2009.

Commercial Paper Program

In 2005, through its $200 million dollar Commercial Paper Program (CP Program), the MFA issued terms ranging from 28 to 365 days. The average 28-day issuance was $150 million with the remaining $50 million issued in terms ranging from 60 to 365 days. During the year $1.45 billion was refinanced through the program. Issuing commercial paper at rates lower than bank credit line advances allows the MFA to pass these savings on to our clients.

The CP Program is currently rated the highest possible by both Moody's Investor Service (P-1) and Standard & Poor's (A-1+). Yields throughout the year were equivalent to provincial levels. The MFA's commercial paper is at present represented by the following institutions:

RBC Dominion Securities Inc.
National Bank Financial
Laurentian Securities Inc.
Bank of Montreal
Scotia Capital Inc.
Toronto Dominion Bank
CIBC World Markets Inc.

If you require any further information regarding the CP Program or if you have a specific term requirement please contact Shelley Hahn, Manager Financial Services at 250-380-0432, extension 229, or by email, shelley@mfa.bc.ca

Thank you for your support.

INVESTOR HIGHLIGHTS

The information presented below provides some ratio information for investors and should be read in conjunction with the Message from the Chair report, which provides financial highlights for the year 2005.

During 2005, many MFA clients completed forward-looking capital borrowing plans. Once completed, these plans allowed the MFA to notify investors of the probable future borrowing requirements starting in 2006 and projecting into 2011. While the majority of our borrowings will be 10 years in term, it is probable that a few 20-year and 30-year debentures will also be issued. The expected issuance is detailed in the following chart.

FUTURE DEBT ISSUANCE ($ MILLIONS)

	2006	2007	2008	2009	2010	2011
New Debt	$ 500	750	761	669	187	330
Refinancings	88	127	184	379	21	279
	$ 588	877	945	1,048	208	609

These debt issuances, in accordance with previous MFA practice, will focus on early June or early December maturity dates. The great majority of the above borrowings will be for sewer, water or transportation capital projects.

MUNICIPAL RATIOS: AS AT DECEMBER 31, 2005

i) Municipal Reserves vs. Net Debt:

Total Municipal Reserves (cash and investments)	$3,727,165,000	
Net Debt (gross debt less sinking fund investments)	$2,954,137,000	= 1.26:1

ii) Net Debt to Taxable Assessments:

Current Net Debt	$2,954,137,000	
Taxable Assessments	$494,700,000,000	= 0.59%

The MFA can levy a tax on these assessments to cover payments due to bondholders.

iii) Debt Service Payments to Total Revenues: local governments

2005 Current Debt Service	$278,013,402	
Consolidated Revenues	$6,179,079,212	= 4.50%

The Community Charter allows up to a maximum of 25% of re-occurring consolidated revenues to service debt.

iv) Future Net Debt to Taxable Assessments:

2009 Net Debt	$5,139,000,000	
2005 Taxable Assessments	$494,700,000,000	= 1.04%

Given the infrastructure plans, it is anticipated that MFA's Net Debt will peak in 2009.

Commercial Paper Program

In 2005, through its $200 million dollar Commercial Paper Program (CP Program), the MFA issued terms ranging from 28 to 365 days. The average 28-day issuance was $150 million with the remaining $50 million issued in terms ranging from 60 to 365 days. During the year $1.45 billion was refinanced through the program. Issuing commercial paper at rates lower than bank credit line advances allows the MFA to pass these savings on to our clients.

The CP Program is currently rated the highest possible by both Moody's Investor Service (P-1) and Standard & Poor's (A-1+). Yields throughout the year were equivalent to provincial levels. The MFA's commercial paper is at present represented by the following institutions:

RBC Dominion Securities Inc.
National Bank Financial
Laurentian Securities Inc.
Bank of Montreal
Scotia Capital Inc.
Toronto Dominion Bank
CIBC World Markets Inc.

If you require any further information regarding the CP Program or if you have a specific term requirement please contact Shelley Hahn, Manager Financial Services at 250-380-0432, extension 229, or by email, shelley@mfa.bc.ca

Thank you for your support.

How We Operate

Responsibility

The Municipal Finance Authority of British Columbia was established in 1970 by the Municipal Finance Authority Act.

Regional districts and BC municipalities finance all long-term capital requirements through the MFA, except those met by senior levels of government.

Since 1995, our client base has expanded to include the Greater Vancouver Water District and the Greater Vancouver Sewerage and Drainage District (Utilities), Emergency Communications for the Southwest British Columbia (E-Comm), Regional Hospital Districts (RHD) and the Greater Vancouver Transportation Authority (GVTA or TransLink).

The City of Vancouver is the only municipality that retains the right to issue its own securities to finance capital projects. Taxable land and improvements within the City of Vancouver are nevertheless subject to rates levied by the Municipal Finance Authority of BC for the annual operating levy, and also to replenish the debt reserve fund, should it ever be drawn upon.

Representation

The Province of BC is divided into 27 regional districts, each of which is governed by a regional board consisting of representatives of its member municipalities and unincorporated areas. The MFA is comprised of 35 Members who represent these districts (due to their populations, two of the 27 regional districts are entitled to more than one MFA Member). A complete listing of Members and the Board of Trustees and a description of how they are selected is provided on page 7 of the front section of this report.

Funding

When the MFA's clients wish to finance capital projects, Ministry-approved requests are presented to the MFA and are subject to approval by its Members. Taking into account market and economic conditions, the MFA's Board of Trustees then may authorize the issue and sale of debentures sufficient to meet aggregate client requests.

Proceeds from the sale of these debentures are not to exceed the amount authorized. The Board of Trustees also determines the rates, terms, and conditions, including the markets and currencies, for the sale of these securities.

The MFA has the power to provide for the creation, management, and application of sinking funds, or other means of securing the repayment of its debentures, including calling for their early redemption.

A separate sinking fund account is maintained for each debenture issue. Principal repayments from clients, or monies which cannot be immediately applied toward repaying the debt, may be invested in:

a) securities of the government of Canada or a province of Canada, or

b) securities fully guaranteed by the government of Canada or by a province of Canada, or

c) securities of a municipality or regional district in BC or another province of Canada, maturing not later than the debentures for which the sinking fund was created, or

d) investments guaranteed by a Canadian chartered bank, or

e) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act, or

f) securities of the MFA maturing not later than the debentures for which the sinking fund was created.

How We Safeguard Investors

Financial Protection

In BC, the combined credit of all the regional districts and their member municipalities, the utilities, TransLink and regional hospital districts—which together have essentially all the taxable land and improvements in the province —stands behind the MFA's obligations.

In addition, the MFA has established a debt reserve fund. Each client must contribute to this fund for securities issues in which they participate that have a term of five years or more. The contribution is equal to one-half the client's average annual principal and interest installment. This amount is payable to the MFA at the time of issue, either in full or in an amount equal to one percent of the principal amount borrowed (TransLink contributes two percent). The balance is secured by a non-interest-bearing demand note of the regional district or regional hospital district issued to the MFA.

Monies paid into the debt reserve fund and the interest that the fund earns are obligations of the MFA to its clients and must be refunded to them when final loan installments have been made. However, if a municipality, utility, or TransLink has discharged its debt obligation to a regional district or regional hospital district by itself, the MFA may, during the term of the issue, repay to the regional district the one percent withholding plus earnings thereon. This repayment will be for the credit of the municipality, utility, or TransLink. The regional hospital districts' monies are returned directly to themselves.

If, at any time, the MFA lacks sufficient funds to meet principal, interest, or sinking fund payments due on its obligations, it must utilize the debt reserve fund. All or any part of this fund is available to satisfy MFA obligations, regardless of the sources of the money in the fund. In the event that payments are made from the debt reserve fund, the MFA will recover such payments from the regional districts and regional hospital districts involved to restore the debt reserve fund. There has never been a default by an MFA client in 35 years.

If the Board of Trustees is of the opinion that payments made from the debt reserve fund will not be recovered within a reasonable period, it will levy upon all taxable land and improvements in the province a tax sufficient to restore the fund. It is mandatory for the Board of Trustees to levy such a tax when the balance in the debt reserve fund is less than 50 percent of what the balance would have been had no such payments been made. The defaulting client is not relieved of its unpaid balance owing and is obligated to reimburse the other MFA clients that covered the default.

The Board of Trustees' power to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations.

The provincial government has guaranteed that the debt reserve fund will be maintained in accordance with the Municipal Finance Authority Act. The Inspector of Municipalities may inspect the fund from time to time and issue a certificate that it has been maintained at the proper level.

Monies in the debt reserve fund may be invested in:

a) securities of the government of Canada or a province of Canada, or

b) securities fully guaranteed by the government of Canada or a province of Canada, or

c) deposits in or investments guaranteed by a Canadian chartered bank, or

d) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act.

These investments must mature or be callable within five years, and at least 25 percent of the fund must be callable within 90 days.

Legislative Protection

Clients who finance through the MFA must obtain the same provincial approvals as are required if they were issuing their own securities. In this way, all the safeguards imposed by the BC legislature on incurring clients' indebtedness are retained. These safeguards require that the Inspector of Municipalities or the Ministry of Health approve the debt and user charges, if any, and other taxes to service the debt. In addition, sewer and water projects require a certificate of self-liquidation from the Inspector of Municipalities.

Limitations on the borrowing power of a client for each borrowing function (i.e., sewer, water, roads, etc.) may be specified in its letters patent. Municipalities in BC cannot borrow debt that will cause their annual debt service payments to exceed a certain percentage of their revenues. (usually 25%).

How We Serve Our Clients

The Municipal Finance Authority of British Columbia was established because it made economic sense for individual municipalities and regional districts to borrow together as a group and to guarantee each other's credit. By acting together we are able to provide low interest rate financing for local governments' capital programs and offer other innovative, flexible financial services.

Pooled Investment Program

Organization

The Municipal Finance Authority Act was amended in 1988 authorizing the MFA to provide short-term investment opportunities for regional districts and municipalities in BC. In 1992, the Act was further amended to extend the investment program to certain other public institutions in BC.

The amendments resulted in the establishment and operation of three pooled investment funds. Two funds commenced operations in May, 1989 and a third in 1994.

Participation

Participation in the Pooled Investment Program by public institutions is voluntary.

Investment activities

The investment activities of the funds are governed by the Municipal Finance Authority Act and a charter of investment policies, objectives and guidelines.

Interim Financing Program

Organization

The Interim Financing Program commenced operations in December, 1990 after amendments were made to the Municipal Finance Authority Act to enable the MFA to offer interim financing to regional districts and municipalities. In 1992, the Act was further amended to include certain other public institutions in BC.

Participation

Participation in the Interim Financing Program by public institutions is voluntary.

Purposes for which interim financing may be provided

The Authority may provide financing for one or more of the following purposes:

a) temporary financing of capital projects
b) short-term capital borrowing up for to five years
c) tax revenue anticipation borrowing
d) temporary financing to meet current operating expenditures

Leasing Program

Organization

In 1995, the Municipal Finance Authority started its Leasing Program. The Authority is authorized to finance short-term debt for capital expenditures, including leasing.

Purposes for which leasing may be provided

All commonly leased assets, from office equipment to rolling stock, are eligible under the program.

Participation

Participation in the program is voluntary. The program is now available to colleges and universities and may also soon be available to other public bodies.

Auditors' Report

TO THE MEMBERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

We have audited the consolidated balance sheets of the Debt Fund, Short-term Debt Fund, Debt Reserve Fund, and the Operating Fund (collectively, the "Capital Financing Funds") of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2005 and 2004, the consolidated statements of revenue, expenditure and surplus and cash flows of each of these Funds for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Financing Funds of the Authority as at December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 27, 2006

CAPITAL FINANCING
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

		CONSOLIDATED		DEBT FUND	
		2005	2004	**2005**	2004
ASSETS					
Loans to clients (Note 2) (Schedule page F27)	$	**3,262,912**	3,245,464	**3,262,912**	3,265,060
Short-term loans to clients (Note 3)		**143,773**	229,579	**—**	—
Investments, net of holdings of the Authority (Note 4)		**1,051,810**	1,122,924	**989,292**	1,065,567
Investments under management (Note 5)		**108,310**	154,210	**108,310**	154,210
Accrued interest and other receivables		**91,317**	101,266	**90,211**	99,967
Demand notes receivable		**186,817**	178,912	**—**	—
Unamortized issue costs		**24,597**	28,726	**24,472**	28,500
Cash and cash equivalents		**10,849**	8,326	**4,192**	5,193
Capital assets (Note 6)		**780**	805	**—**	—
Due from Debt Fund (Note 7)		**—**	—	**—**	—
Due from Short-term Debt Fund (Note 7)		**—**	—	**—**	—
Total Assets	$	**4,881,165**	5,070,212	**4,479,389**	4,618,497
LIABILITIES					
Long-term debt (Note 8) (Schedule page F22)	$	**4,005,947**	3,910,640	**4,025,557**	3,953,712
Bank and short-term indebtedness (Note 9)		**269,386**	349,689	**—**	—
Due to clients (Note 10)		**283,451**	277,479	**10,751**	16,749
Due to clients – investments under management (Note 5)		**108,310**	154,210	**108,310**	154,210
Accounts payable and accrued interest payable (Note 11)		**40,290**	39,944	**39,956**	39,485
Due to Short-term Debt Fund (Note 7)		**—**	—	**125,162**	118,940
Due to Operating Fund		**—**	—	**38**	32
Total Liabilities		**4,707,384**	4,731,962	**4,309,774**	4,283,128
Equity in capital assets		**780**	805	**—**	—
Appropriated surplus		**1,405**	504	**—**	—
Surplus (Note 1b)		**171,596**	336,941	**169,615**	335,369
Total Liabilities, Equity and Surplus	$	**4,881,165**	5,070,212	**4,479,389**	4,618,497

SECRETARY-TREASURER

SHORT-TERM DEBT FUND		DEBT RESERVE FUND		OPERATING FUND	
2005	2004	**2005**	2004	**2005**	2004
—	—	—	—	—	—
143,773	229,579	—	—	—	—
—	—	**82,128**	80,833	—	—
—	—	—	—	—	—
256	669	**621**	464	**229**	166
—	—	**186,817**	178,912	—	—
125	226	—	—	—	—
965	744	**3,137**	524	**2,555**	1,865
—	—	—	—	**780**	805
125,162	118,940	—	—	**38**	32
—	—	—	—	**175**	280
270,281	350,158	**272,703**	260,733	**3,777**	3,148
—	—	—	—	—	—
269,386	349,689	—	—	—	—
—	—	**272,700**	260,730	—	—
—	—	—	—	—	—
14	126	**3**	3	**317**	330
—	—	—	—	—	—
175	280	—	—	—	—
269,575	350,095	**272,703**	260,733	**317**	330
—	—	—	—	**780**	805
600	—	—	—	**805**	504
106	63	—	—	**1,875**	1,509
270,281	350,158	**272,703**	260,733	**3,777**	3,148

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL FINANCING

CONSOLIDATED STATEMENTS OF REVENUE, EXPENDITURE & SURPLUS

YEARS ENDING DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

		CONSOLIDATED		DEBT FUND	
		2005	2004	**2005**	2004
REVENUE					
Interest from loans to clients	$	**258,067**	253,649	**251,861**	245,611
Investment income		**77,637**	73,261	**73,721**	69,195
Management fees		**1,169**	742	**—**	—
Recoveries from new issues		**429**	429	**—**	—
Operating levy		**140**	119	**—**	—
Total Revenues		**337,442**	328,200	**325,582**	314,806
EXPENDITURE					
Interest on long-term debt		**243,751**	235,639	**243,751**	235,639
Interest on bank and short-term indebtedness		**8,919**	10,231	**3,955**	3,142
Amortization of issue costs		**5,544**	5,451	**5,443**	5,331
Administrative		**2,178**	2,998	**—**	—
Management fees		**—**	—	**1,190**	1,142
Accrual of investment income due to clients		**8,375**	8,337	**4,713**	4,490
Debt management and marketing		**260**	241	**—**	—
Total Expenditures		**269,027**	262,897	**259,052**	249,744
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR		**68,415**	65,303	**66,530**	65,062
Surplus, beginning of the year		**336,941**	397,355	**335,369**	395,733
Accrued allocation to clients (Note 1b)		**(22,876)**	—	**(22,876)**	—
Allocations to clients (Note 12)		**(209,408)**	(125,426)	**(209,408)**	(125,426)
Application to equity in capital assets		**25**	25	**—**	—
Application of appropriated surplus		**504**	788	**—**	—
Appropriation of surplus		**(1,405)**	(504)	**—**	—
Dividends paid		**(600)**	(600)	**—**	—
Surplus, end of the year	$	**171,596**	336,941	**169,615**	335,369

SHORT-TERM DEBT FUND		DEBT RESERVE FUND		OPERATING FUND	
2005	2004	**2005**	2004	**2005**	2004
6,206	8,038	—	—	—	—
—	—	**3,805**	3,966	**111**	100
—	—	—	—	**2,567**	2,442
—	—	—	—	**429**	429
—	—	—	—	**140**	119
6,206	8,038	**3,805**	3,966	**3,247**	3,090
—	—	—	—	—	—
4,964	7,089	—	—	—	—
101	120	—	—	—	—
373	332	—	—	**1,805**	2,666
125	480	**83**	78	—	—
—	—	**3,662**	3,847	—	—
—	—	**60**	41	**200**	200
5,563	8,021	**3,805**	3,966	**2,005**	2,866
643	17	—	—	**1,242**	224
63	46	—	—	**1,509**	1,576
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	**25**	25
—	—	—	—	**504**	788
(600)	—	—	—	**(805)**	(504)
—	—	—	—	**(600)**	(600)
106	63	—	—	**1,875**	1,509

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL FINANCING
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

	CONSOLIDATED		DEBT FUND	
	2005	2004	**2005**	2004
OPERATING ACTIVITIES				
Excess of revenue over expenditure for the year	**$ 68,415**	65,303	**66,530**	65,061
Non-cash items:				
Gain on disposals of investments	**(8,581)**	(5,651)	**(7,451)**	(4,336)
Accretion of discounts on investments	**(26,969)**	(28,214)	**(26,100)**	(27,349)
Amortization of issue costs	**5,544**	5,451	**5,443**	5,331
Accrual of investment income due to clients	**8,375**	8,337	**4,713**	4,490
Amortization on building	**25**	25	**—**	—
Changes in accrued interest and other receivables	**9,949**	(11,008)	**9,756**	(10,636)
Changes in accounts payable and accrued interest payable	**438**	(4,784)	**563**	(4,833)
Net cash provided by (applied to) operating activities	**57,196**	29,459	**53,454**	27,729
INVESTING ACTIVITIES				
Investments sold or matured	**1,310,636**	1,406,142	**856,712**	582,678
Investments purchased	**(1,154,297)**	(1,417,069)	**(701,078)**	(593,861)
Net cash provided by (applied to) investing activities	**156,339**	(10,927)	**155,634**	(11,183)
FINANCING ACTIVITIES				
New debt issued	**531,230**	389,296	**531,230**	389,296
Bank indebtedness (repaid)	**(80,303)**	136,263	**—**	—
Sewer and water grant contribution from Province of BC	**—**	1,160	**—**	1,160
Loan repayments from clients	**653,430**	525,653	**389,651**	291,286
New loans to clients	**(588,352)**	(703,716)	**(410,379)**	(365,637)
Debt retired	**(459,385)**	(204,459)	**(459,385)**	(204,459)
Issue costs	**(1,416)**	(1,191)	**(1,416)**	(1,191)
Changes in inter-fund balances	**—**	—	**6,228**	32,054
Contribution from clients for new loans	**5,284**	5,001	**—**	—
Contributions and earnings thereon refunded to clients	**(4,882)**	(6,622)	**—**	—
Allocations of surplus payments to clients (Note 12)	**(209,408)**	(125,426)	**(209,408)**	(125,426)
Allocations of sewer and water grant payments to clients	**(6,208)**	(8,600)	**(6,208)**	(8,600)
Allocations of investments under management to clients	**(50,402)**	(25,735)	**(50,402)**	(25,735)
Dividends paid	**(600)**	(600)	**—**	—
Net cash provided by (applied to) financing activities	**(211,012)**	(18,976)	**(210,089)**	(17,252)
Increase (decrease) in cash and cash equivalents	**2,523**	(444)	**(1,001)**	(706)
Cash and cash equivalents, beginning of the year	**8,326**	8,770	**5,193**	5,899
Cash and cash equivalents, end of the year	**$ 10,849**	8,326	**4,192**	5,193

Supplementary cash flow information (Note 13)

SHORT-TERM DEBT FUND		DEBT RESERVE FUND		OPERATING FUND	
2005	2004	**2005**	2004	**2005**	2004
643	17	—	—	**1,242**	224
—	—	**(1,130)**	(1,315)	—	—
—	—	**(869)**	(865)	—	—
101	120	—	—	—	—
—	—	**3,662**	3,847	—	—
—	—	—	—	**25**	25
413	(348)	**(157)**	(101)	**(63)**	77
(112)	45	—	1	**(13)**	3
1,045	(166)	**1,506**	1,567	**1,191**	329
—	—	**453,924**	823,464	—	—
—	—	**(453,219)**	(823,208)	—	—
—	—	**705**	256	—	—
—	—	—	—	—	—
(80,303)	136,263	—	—	—	—
—	—	—	—	—	—
263,779	234,367	—	—	—	—
(177,973)	(338,079)	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
(6,327)	(31,884)	—	—	**99**	(170)
—	—	**5,284**	5,001	—	—
—	—	**(4,882)**	(6,622)	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	**(600)**	(600)
(824)	667	**402**	(1,621)	**(501)**	(770)
221	501	**2,613**	202	**690**	(441)
744	243	**524**	322	**1,865**	2,306
965	744	**3,137**	524	**2,555**	1,865

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITAL FINANCING
NOTES TO FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2005 AND DECEMBER 31, 2004

1. Significant accounting policies

a. Basis of presentation

The Municipal Finance Authority of British Columbia (the "Authority"), operates under the Municipal Finance Authority Act (the "Act") as the central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts and special purpose other municipal bodies (collectively the "clients"). The Authority issues its own securities and lends the proceeds to its clients on whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia and are not guaranteed, directly or indirectly, by the Province. The Authority may annually impose rates not exceeding prescribed amounts on all taxable land and improvements in the Province to meet the annual operating budget. Additional rates will be levied if the Board of Trustees are of the opinion that debt payments may not be recovered within a reasonable time under loan agreements with its clients.

The accompanying financial statements reflect the capital financing and general operations of the Authority. Other activities, including the maintenance of pooled investment funds, are reported separately by the Authority.

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles. The Authority maintains its accounts according to the principles of fund accounting by which financial resources are segregated for specific activities or to attain certain objectives. Four funds are maintained within the Capital Financing activities.

The following is a brief description of each of the Capital Financing funds and its purpose:

OPERATING FUND

The Act provides for the establishment of an Operating Fund to meet the annual operating budget. In addition to the administration of the Capital Financing activities, the Operating Fund receives management fees from the Pooled Investment Funds and the Short-term Debt Fund and pays the cost of their operations.

DEBT FUND

The Authority's financing activities on behalf of its clients are recorded within the Debt Fund. As well, the Debt Fund is a repository for repayments from the clients under their loan agreements in advance of the Authority's requirements on its related indebtedness.

DEBT RESERVE FUND

Under the Act, the Authority must establish a Debt Reserve Fund. Each client sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing together with one-half the average annual installment of principal and interest as set out in the agreements entered into with the regional district by member municipalities, utilities and TransLink in respect of their borrowings; such amount is payable either in full or in an amount equal to 1% (2% for TransLink) of the principal amount borrowed with the balance secured by a non-interest bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund.

SHORT-TERM DEBT FUND

The Authority has established a short-term financing program to provide financing to local governments under section 9.1 of the Municipal Finance Authority Act. The Act was amended in 1992 to extend financing to other public institutions (as defined) in the Province of British Columbia.

The fund provides a revolving credit facility for its clients under two programs:

i) Interim Financing Program – for tax revenue anticipation, interim funding requirements and temporary financing of capital projects.

ii) Leasing Program – for funding the short-term leasing of capital assets.

b. Surplus

The surplus balance of the Debt Fund represents undistributed earnings on investments. The undistributed earnings in excess of budgeted actuarial earnings are due to clients once the debt is retired. The amount of surplus re-allocated to clients is disclosed in the Statements of Revenue, Expenditure and Surplus (see note 12).

Effective January 1, 2005, the Authority began recording actuarial earnings on loans to clients on an accrual basis rather than on principal repayment dates. This change has been recorded on a prospective basis due to the limited extent of information available for prior periods. The impact of this change in accounting policy was a reduction in loans to clients and an increase in allocations to clients as at January 1, 2005 of $22,875,887.

The Authority may appropriate operating and short-term debt fund surpluses for future expenditures.

c. Revenue recognition

The annual operating levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the province and the Provincial Surveyor of Taxes and is payable to the Authority on August 1 each year.

d. Amortization of issue costs

Issue costs including discounts and premiums are amortized on a straight line basis over the lives of the securities to which they relate.

e. Investments

The investment purchasing and trading policy of the Authority is to match the maturity of its investments with the applicable obligation dates of its debt.

Securities purchased with the intention of holding them to maturity or until market conditions, such as a change in interest rates, provide a better investment opportunity are recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective-yield basis. Any gains and losses on the disposal of investment securities are recorded in the Statements of Revenue, Expenditure and Surplus in the year of disposal.

Securities may be purchased for investment return and may be either shorter or longer term. Such securities are also recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective-yield basis. When the market value of trading securities declines below carrying value and such decline in value is considered other than temporary, these securities are written down to market. Write-downs to market and any gains and losses on the sale of these securities are recorded in the Statements of Revenue, Expenditure and Surplus in the year they occur.

f. Capital assets

Capital assets are stated at cost. Amortization of the building is provided on a straight-line basis over 40 years.

g. Financial instruments

The Authority periodically enters into certain financial contracts that may be considered hedging transactions. These transactions include forward interest rate contracts on behalf of clients and certain derivative investments where established cash flow streams are exchanged for a future cash payment upon contract maturity. The Authority does not conduct derivative trading or contracting for trading gain.

At the request of individual clients and only after all required political authorizations and borrowing documentation is in place, the Authority will negotiate with a financial institution to enter into a contract to fix the interest rate on a client's borrowing request at a specified future date. These actions by the Authority's clients are in consideration of either a re-financing risk regarding exposure to future interest rate fluctuations or a desire for budgetary certainty. Since the Authority does its debenture borrowing in the spring and fall, some clients' requests may occur outside of these dates causing them to have potential interest rate exposure if not hedged. The Authority cash settles the forward contract with the financial institution thereby completing the contract. At this point, the future payment obligations become that of the client and the contract no longer meets the criteria for hedge accounting.

As part of the sinking fund investment practices, the MFA may purchase derivative or cash flow annuity contracts with institutions whereby the MFA sells a cash flow stream of principal collections from a client or group of clients to an institution for a future lump sum principal amount. The MFA will enter into these contracts to achieve fixed yields to meet actuarial requirements or to aggregate cash flows which could not be effectively invested by themselves due to the small amounts involved on individual transactions. Fair values of these instruments are determined using market prices for the underlying derivative instrument.

When derivative contracts are established, the Authority determines for each contract whether hedge accounting can be applied. Derivatives that qualify for hedge accounting are accounted for on an accrual basis. The Authority explicitly demonstrates that hedges are effective in order to continue accrual accounting. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge or the derivative is terminated or sold.

h. Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of the financial statements include the assumption of an expected earnings rate on sinking funds, (5% up to and including Issue 88 and 4% on issues thereafter) which makes up a portion of the asset "Loans to clients" (See note 2).

i. Comparative figures

Certain 2004 comparative figures have been reclassified to conform to the financial statement presentation for the current year.

2. Loans to clients

Under the Act, each client sharing in the proceeds of a securities issue must pay over to the Authority such sums as are required to discharge its obligations to the Authority in respect to such securities issue. If the scheduled payments provided for under the loan agreement are not sufficient to meet the Authority's obligations in respect of that securities issue, the deficiency is a liability of the client to the Authority.

The aggregate principal payments recoverable from the clients in each of the next five years (excluding principal payments suspended as outlined below) are as follows:

THOUSANDS OF DOLLARS	
2006	$ 183,267
2007	182,878
2008	174,103
2009	162,604
2010	161,897

When the Authority, under Section 12 of the Act and with the approval of the Inspector of Municipalities, has determined that the amount of the assets in the sinking fund together with the anticipated earnings for that fund is greater than the amount which will be required to repay the debt or discharge the obligation and has declared that there is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from the clients under the related loan agreements are suspended.

3. Short-term loans to clients

The short-term loans receivable represent loans for the following purposes:

THOUSANDS OF DOLLARS		
SHORT-TERM DEBT FUND		
Tax revenue anticipation	$ 277	9,289
Temporary financing of capital projects	91,148	140,406
Short-term capital borrowing	3,861	15,381
Short-term leases of capital equipment	48,487	64,503
Total short-term loans	$ 143,773	229,579

Short-term leases of capital equipment bear interest at a rate of prime minus 1% while all other short-term loans are charged interest based on the daily 30-day Canadian Dollar Offered Rate (CDOR) plus .425%. Short-term leases on capital equipment carry a maximum term of five years while other short-term loans can range in length from nine months to a maximum of five years.

4. Investments

Investments consist of securities of:

THOUSANDS OF DOLLARS		PAR VALUE	BOOK VALUE	BOOK VALUE
DEBT FUND				
Government of Canada, direct or guaranteed	$	77,823	69,179	62,946
Provincial governments, direct or guaranteed		646,431	476,198	474,848
Chartered banks, direct or guaranteed		324,580	414,145	492,593
Credit Unions in the Province of BC		10,000	10,000	10,000
Regional and municipal governments		160	160	1,704
		1,058,994	969,682	1,042,091
The Authority		19,545	19,610	23,476
	$	1,078,539	989,292	1,065,567
DEBT RESERVE FUND				
Government of Canada, direct or guaranteed	$	15,895	12,446	12,023
Provincial governments, direct or guaranteed		–	–	11,595
Chartered banks, direct or guaranteed		66,958	66,682	54,110
Credit unions in the Province of BC		3,000	3,000	3,105
	$	85,853	82,128	80,833
Total, all funds	$	1,164,392	1,071,420	1,146,400
Less investments held by the Authority		19,545	19,610	23,476
CONSOLIDATED TOTAL	$	1,144,847	1,051,810	1,122,924

The Authority may invest monies in its own securities maturing not later than the securities for which the sinking fund account was created. Of the $19,610,000 (2004 – $23,476,000) in investments held by the Authority, $4,610,000 (2004 – $8,476,000) represents the Authority's own debentures purchased from the market and $15,000,000 (2004 – $15,000,000) represents an internal loan from the sinking funds, recorded as Long-term Debt Issuance #67.

Investments in Municipal Finance Authority of BC debentures have been offset against the related debt in the consolidated statements (see "Debt Fund – Schedule of Long-Term Debt", F22).

5. Investments under management

In 2003, the Greater Vancouver Water District borrowed $200 million and entered into an agreement whereby the Authority would manage a portion of the cash proceeds from that borrowing as investments under management. These investments consist of:

THOUSANDS OF DOLLARS	PAR VALUE	BOOK VALUE	BOOK VALUE
SECURITIES			
Government of Canada, direct or guaranteed	$ 8,750	8,897	137,932
Provincial governments, direct or guaranteed	90,920	93,264	10,032
	$ 99,670	102,161	147,964
The Authority	4,350	4,353	4,357
	$ 104,020	106,514	152,321
CASH		54	147
Accrued interest and other		1,742	1,742
Total assets		$ 108,310	154,210

It is the intent of the Greater Vancouver Water District to draw down on these holdings as required and it is anticipated that principal and interest earned will be completely repaid by December 2006.

6. Capital assets

Capital assets represent the net book value of the land and building out of which the Authority operates. The land and building, purchased at an original cost of $998,000, is reflected in the Operating Fund net of accumulated amortization of the building of $218,000 (2004 – $193,000).

7. Due to/from Debt Fund and Short-term Debt Fund

The Authority's clients may choose loan terms from five to 30 years. Since most debenture debt issued to finance these loans mature in 10 years, the debt issues must be refinanced. Taking economic and market conditions as well as sinking fund positions into account, the decision to issue new debt or use the Authority's Short-term Debt Fund is made. At year end these refinancing issues through the Short-term Debt Fund were $125,161,619 (2004 – $118,940,490) and are presented as inter-fund transactions for financial statement purposes.

8. Long-term debt

The aggregate long-term debt maturities in each of the next five years are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder).

THOUSANDS OF DOLLARS	
2006	$ 322,260
2007	310,305
2008	395,693
2009	772,130
2010	207,704

Since the clients' bylaw terms (up to 30 years) do not always coincide with the Authority's debenture term (usually 10 years), most clients' borrowing requests need to be refinanced. Refinancings over the next five years and the current average interest rates on the refinanced amounts, are as follows:

THOUSANDS OF DOLLARS	REFINANCING	EXISTING INTEREST RATE
2006	$ 88,000	6.49%
2007	127,200	5.91
2008	184,000	5.50
2009	379,600	6.13
2010	21,000	5.19

9. Bank and short-term indebtedness

Indebtedness consists of the following:

THOUSANDS OF DOLLARS		
Revolving line of credit	$ 69,831	$ 206,542
Commercial Paper	199,555	143,147
	269,386	349,689

The Authority has an agreement under which the bank provides a revolving credit facility of up to $300,000,000 subject to repayment within 30 days following demand by the bank. As at year end, the interest rate on the line of credit was 3.56% (2004 – 2.81%).

The commercial paper facility allows for the issuance of short-term notes in the name of the Authority up to 365 days in duration and requires a fully backed standby line of credit from one or more chartered banks. As at year end, the interest rate on Commercial Paper issued ranged from 2.79% to 3.19% (2004 – 2.14% to 2.78%)

10. Due to clients

Included in amounts Due to clients is $272,676,000 (2004 – $260,730,000) which will be repaid to clients when they have made the final payment under their respective loan agreements. However, where a municipality has discharged its obligation to a regional district with respect to a securities issue, the Authority may repay to the regional district for the credit of the municipality a portion of the money which is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

If, at any time, the Authority does not have sufficient funds

to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund.

If the Board of Trustees of the Authority are of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, they may levy or impose upon substantially all taxable land and improvements in the Province of BC rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the fund is less than 50 percent of the amount that would have been in the fund had no such payments been made.

Included in amounts due to clients are sewer and water facilities assistance grant monies payable to regional districts and municipalities. Prior to March 2002, certain regional districts and municipalities with sewer and/or water facility loans outstanding would receive semi-annual grant funding from the Province of British Columbia to offset a portion of annual debt servicing costs incurred. Between March 2002 and September 2004, the Authority received lump sum payments totaling $42,186,418 from the Province for application towards these loans outstanding. The Authority is responsible for distributing these payments to clients on a semi-annual basis as related principal and interest payments are received from clients.

The Authority has estimated that total distributions of these funds out to the expiry dates of the applicable sewer and/or water loans to be $11,895,370 (2004 – $18,365,352). The estimated payments over the next five years are as follows:

THOUSANDS OF DOLLARS	
2006	$ 4,990
2007	2,479
2008	1,180
2009	763
2010	394
Thereafter	2,089
Total	$ 11,895

As at year end the Authority has recognized a liability with a present value of $10,555,512 (2004 – $16,500,435) and has invested the corresponding funds in securities to mature at the required value of $11,895,370 (2004 – $18,365,352).

11. Accounts payable and accrued interest payable

Accounts payable and accrued interest payable includes the difference between the unscheduled early payout (present valued) by various clients and the book value of their liabilities to the Authority. These early payments by clients are based on the cost to the Authority of purchasing investments that will exactly match the principal and interest payments the client would have otherwise made (based on the present value of the yield curve at the time of the early payment).

12. Allocations to clients

This amount is the total of surpluses earned (excess earnings) by the investments relating to specific debentures issues that have matured and were distributed back to the clients for which the financing was undertaken. Accruals of investment income due to clients, allocation of net earnings to clients which applies to the Debt Reserve Fund, and the Sewer and Water grant monies in the Debt Fund are shown separately. During the year, the following surplus was allocated:

THOUSANDS OF DOLLARS		
Cash surplus repayments	$ 9,154	9,107
Future invoice payments forgiven	4,859	7,886
Actuarial earnings recognized	195,395	108,433
	$ 209,408	125,426

Included in the 2005 Actuarial earnings recognized is $25,218,411 of accrued earnings calculated from the last principal payment dates to December 31, 2005.

13. Supplemental cash flow information

During the year, the Authority received the following cash payments:

THOUSANDS OF DOLLARS		
Interest from clients – long-term debt	$ 265,175	257,146
Interest from clients – short-term debt	9,599	8,027
Interest from investments	33,769	31,249

During the year the Authority made the following cash payments:

THOUSANDS OF DOLLARS		
Interest on long-term debt	$ 253,253	250,678
Interest on short-term indebtedness	8,918	10,230

The amounts shown on the Statements of Revenue, Expenditure and Surplus are recorded on an accrual basis and may differ from the information presented above on a cash basis.

14. Financial instruments

a. Interest rate risk

Upon maturity of certain debt issues, the Authority may refinance any remaining loans receivable balances associated with those debt issues through the Authority's Short-term Debt Fund. At year end, the Authority had $125,161,619 (2004 – $118,940,490) of these loans outstanding subject to floating interest rates. As at December 31, 2005 this floating rate was 3.610% (2004 – 2.810%) while the related relending of these funds to its clients ranged from 4.00% to 6.50% (2004 – 4.775% to 6.500%). During the year, interest in the amount of $3,785,319 (2004 – $2,979,475) was paid to the Short-term Debt Fund on these loans.

b. Derivatives

The Authority has entered into certain financial agreements to hedge investment yields with third party financial institutions whereby the Authority will make periodic principal payments in exchange for certain future cash repayments. At year end, the future value of these contracts, due to the Authority, is $313,167,703 (2004 – $434,586,582) while related principal payments by the Authority towards those agreements are $132,301,351 (2004 – $204,130,414).

c. Fair value

The carrying values of accrued interest and other receivables, demand notes receivable, accounts payable, and accrued interest payable and bank and short-term indebtedness approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair market values of other financial assets and liabilities included in the Consolidated Balance Sheets at carrying amount are as follows:

THOUSANDS OF DOLLARS	CARRYING AMOUNT	FAIR MARKET VALUE	CARRYING AMOUNT	FAIR MARKET VALUE
Investments				
Debt Fund	$ 989,292	1,007,231	1,065,567	1,078,988
Debt Reserve Fund	82,128	82,569	80,833	81,372
Under management	108,310	107,583	154,210	152,959
Loans to clients (Debt Fund)	3,262,912	3,363,344	3,265,060	3,486,853
Short-term loans to clients	143,773	143,773	229,579	229,579
Long-term Debt (Debt Fund)	4,025,557	4,284,691	3,953,712	4,205,952
Due to clients				
Investments under management	108,310	107,583	154,210	152,959

Fair values were estimated as follows:

- Investments – based on quoted market values.
- Long-term debt – prices based on yield to maturity on first call date using appropriate spreads over Canada Bonds as a benchmark.
- Loans to clients – values estimated using prices equivalent to the related long-term debt for each issuance.

CAPITAL FINANCING
DEBT FUND – SCHEDULE OF LONG-TERM DEBT

DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:				
50/CL	1991	May 8, 2006	10.250	$ 46,000
55CP	1993	May 12, 2013	8.750	50,000
60/CQ	1995	April 12, 2005	8.500	47,000
61/CR	1995	December 1, 2005	7.750	350,000
62	1995	December 1, 2005	6.200	134
63/XX	2005	December 1, 2010	4.000	121,000
64/CS	1996/2001	September 25, 2006	7.250	121,000
65/CT	1997	April 24, 2007	6.750	125,000
66/CU	1997	November 5, 2006	5.625	75,000
66/CU	1997	November 5, 2007	5.625	60,000
67	1997	November 5, 2006	5.830	15,000
68	1998	March 24, 2006	5.500	86,642
68/CV	1998	March 24, 2008	5.500	336,000
70/CW	1999/2000	June 1, 2009	5.250	646,000
74/CX	2001	June 1, 2011	5.900	491,800
76/CY	2004	November 8, 2006	3.050	19,500
77	2002	June 1, 2006 – 2007	5.375 – 5.625	35,000
78CZ	2002/2003	December 3, 2012	5.250	340,000
80	2003	October 3, 2006 – 2012	3.450 – 4.850	130,700
80DA	2003	December 3, 2013	4.900	288,300
81DB	2004	April 22, 2006 – 2013	2.250 – 4.950	40,000
85DC	2004	December 2, 2014	4.900	180,000
86DD	2004	December 2, 2024	5.350	50,000
87	2005	October 30, 2007	3.550	19,596
88	2004	October 1, 2009	4.710	200
91	2005	March 16, 2010	3.250	220
92DF	2005	April 6, 2006 – April 6, 2015	3.100 – 4.700	63,400
93DG	2005	April 6, 2025	4.978	118,300
95DH	2005	October 13, 2015	4.150	167,000
96DI	2005	April 2, 2026	4.600	50,000
801	2001	September 1, 2006	5.410	73
802	2002	February 16, 2007	4.630	60
			Carried Forward	$ 4,072,925

2005	2004	
LONG-TERM OUTSTANDING	LONG-TERM OUTSTANDING	REFERENCES
45,980	45,980	(1)
50,000	50,000	(1)
—	45,020	(1)
—	350,000	(1)
—	14	(2)
121,000	—	(1)
121,000	121,000	(1)
125,000	125,000	(1)
10,118	19,708	(1)
60,000	60,000	(1)
15,000	15,000	(1) (3)
25,179	36,795	(1)
336,000	336,000	(1)
646,000	646,000	(1)
491,800	491,800	(1)
19,500	19,500	(1)
14,000	21,000	(1)
340,000	340,000	(1)
118,700	124,700	(1)
288,300	288,300	(1)
35,100	40,000	(1)
180,000	180,000	(1)
50,000	50,000	(1)
19,596	19,596	(1)
200	200	(2)
220	—	(1)
63,400	—	(1)
116,541	—	(1)
167,000	—	(1)
50,000	—	(1)
73	73	(2)
60	60	(2)
3,509,767	3,425,746	

CONTINUED ON NEXT PAGE

CAPITAL FINANCING

DEBT FUND—
SCHEDULE OF LONG-TERM DEBT (CONTINUED)

DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:			Brought Forward	$ 4,072,925
507 to 628	1999	May 9, 2006—November 30, 2015	6.0000 - 11.330	297,929
703 to 715	1999	August 8, 2006—July 21, 2010	5.7410 - 9.610	418,830
903	1996	January 9, 2012	9.500	33,000
912	1996	January 9, 2012	9.500	24,000
				4,846,684
PAYABLE IN CANADIAN DOLLARS—ISSUED THROUGH FEDERATION OF CANADIAN MUNICIPALITIES:				
1	2003	March 14, 2010	3.490	1,455
2	2003	March 31, 2013	3.710	2,100
3	2004	June 11, 2014	3.182	20,000
4	2005	June 6, 2015	2.900	11,310
				34,865
Total per Debt Fund				$ 4,881,549
Less amounts issued internally by the Authority:				
Less amounts held as investments by the Authority:				
Net debt due to bondholders				

2005	2004	
LONG-TERM OUTSTANDING	LONG-TERM OUTSTANDING	REFERENCES
3,509,767	3,425,746	
202,678	210,441	(1) (4)
222,084	237,388	(1) (5)
33,000	33,000	(1) (6)
24,000	24,000	(1) (6)
3,991,529	3,930,575	
1,038	1,247	(1) (7)
1,680	1,890	(1) (7)
20,000	20,000	(1) (7)
11,310	—	(1) (7)
34,028	23,137	
4,025,557	3,953,712	
15,000		
4,610		
4,005,947		

CAPITAL FINANCING
DEBT FUND—
REFERENCES TO SCHEDULE OF LONG-TERM DEBT

DECEMBER 31, 2005 AND 2004

1 Non-callable prior to maturity.

2 Five-year Community bonds.

3 Debt issued internally through the Authority's investment holdings.

4 Debt issues relating to the Regional Hospital Districts, transferred from Province of British Columbia to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 74 debenture issues averaging $2.738 million each. Individual issue detail is not shown.

5 Debt issues relating to TransLink, transferred from Province of British Columbia to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 7 debenture issues averaging $31.726 million each. Individual issue detail is not shown.

6 Debenture issues transferred from Province of British Columbia to MFA on April 1, 1996. The debt outstanding remains in the name of the Province.

7 Debentures issued through the Federation of Canadian of Municipalities (FCM) and administered by the MFA.

CAPITAL FINANCING
SCHEDULE OF LOANS TO CLIENTS 2005

UNAUDITED—OUTSTANDING AT DECEMBER 2005

THOUSANDS OF DOLLARS
(EXCEPT PER CAPITA)

		2005			
	PRINCIPAL OUTSTANDING DEC. 31, 2004	NEW LOANS ISSUED	PRINCIPAL REPAID	PRINCIPAL OUTSTANDING DEC. 31, 2005	PER CAPITA
REGIONAL DISTRICTS					
Alberni-Clayoquot	$ 21,115	885	1,746	**20,254**	602
Bulkley-Nechako	6,646	825	1,296	**6,175**	135
Capital	313,230	30,167	46,316	**297,081**	883
Cariboo	37,088	7,046	8,183	**35,951**	489
Central Coast	350	—	27	**323**	74
Central Kootenay	35,299	1,794	5,011	**32,082**	517
Central Okanagan	121,880	16,876	13,955	**124,801**	806
Columbia Shuswap	38,834	4,170	2,713	**40,291**	751
Comox-Strathcona	100,051	14,595	26,275	**88,371**	832
Cowichan Valley	27,142	2,233	2,985	**26,390**	340
East Kootenay	37,835	9,449	11,990	**35,294**	555
Fraser-Fort George	130,196	10,961	13,274	**127,883**	1,196
Fraser Valley	102,290	3,700	24,322	**81,668**	334
Greater Vancouver	934,986	43,114	120,528	**857,572**	402
Kitimat-Stikine	15,267	—	1,667	**13,600**	289
Kootenay Boundary	20,094	3,113	3,128	**20,079**	594
Mount Waddington	4,826	960	491	**5,295**	349
Nanaimo	51,859	5,400	11,557	**45,702**	334
North Okanagan	74,796	34,663	9,333	**100,126**	1,278
Northern Rockies	4,769	3,076	569	**7,276**	1,116
Okanagan-Similkameen	38,765	9,553	5,992	**42,326**	524
Peace River	46,480	21,185	7,789	**59,876**	983
Powell River	13,139	2,009	3,401	**11,747**	522
Skeena-Queen Charlotte	8,040	7,500	3,111	**12,429**	449
Squamish-Lillooet	26,285	2,889	5,510	**23,664**	637
Sunshine Coast	12,708	20,885	2,436	**31,157**	996
Thompson-Nicola	53,071	28,731	10,557	**71,245**	543
OTHER					
District of Campbell River	853	—	679	**174**	6
E-COMM	134,648	—	9,061	**125,587**	52
CREST	8,284	6,600	456	**14,428**	43
TransLink	844,234	118,000	58,169	**904,065**	424
	$ 3,265,060	410,379	412,527	**3,262,912**	776

CAPITAL FINANCING
TEN YEAR REVIEW—CONSOLIDATED FUNDS

		2005	2004	2003	2002
ASSETS					
Loans to clients	$	**3,262,912**	3,245,464	3,190,709	2,935,516
Short-term loans to clients		**143,773**	229,579	125,867	135,509
Investments, net of holdings of the Authority		**1,051,810**	1,122,924	1,060,343	1,140,930
Investments under management		**108,310**	154,210	174,715	—
Investments in sinking funds		**—**	—	—	3,265
Sinking fund assets in excess of related debt		**—**	—	—	15,601
Accrued interest and other receivables		**91,317**	101,266	90,371	78,811
Demand notes receivable		**186,817**	178,912	177,044	172,508
Unamortized issue costs		**24,597**	28,726	32,986	35,749
Cash and cash equivalents		**10,849**	8,326	8,770	8,309
Capital assets		**780**	805	830	854
Total assets	$	**4,881,165**	5,070,212	4,861,635	4,527,052
LIABILITIES, EQUITY AND SURPLUS					
Long-term debt	$	**4,005,947**	3,910,640	3,748,257	3,580,977
Bank and short-term indebtedness		**269,386**	349,689	213,426	195,907
Due to clients		**283,451**	277,479	281,439	288,707
Due to clients – investments under management		**108,310**	154,210	174,715	—
Accounts payable and accrued interest payable		**40,290**	39,944	44,825	44,324
Due to Forest Renewal BC		**—**	—	—	—
Total liabilities		**4,707,384**	4,731,962	4,462,662	4,109,915
Equity in capital assets		**780**	805	830	854
Appropriated surplus		**1,405**	504	788	975
Surplus		**171,596**	336,941	397,355	415,308
Total liabilities, equity and surplus	$	**4,881,165**	5,070,212	4,861,635	4,527,052
REVENUE					
Interest from loans to clients	$	**258,067**	$253,649	258,180	255,427
Investment income		**77,637**	73,261	70,504	75,631
Management fees		**1,169**	742	673	929
Recoveries from new issues		**429**	429	429	429
Operating levy		**140**	119	108	103
Total revenue		**337,442**	328,200	329,894	332,519
EXPENDITURE					
Interest on long-term debt		**243,751**	235,639	243,145	233,717
Interest on bank and short-term indebtedness		**8,919**	10,231	7,869	6,485
Amortization of issue costs		**5,544**	5,451	5,365	4,875
Administrative		**2,178**	2,998	2,933	2,423
Debt management and marketing		**260**	241	239	182
Accrual of investment income to clients		**8,375**	8,337	4,193	5,890
Total expenditure		**269,027**	262,897	263,744	253,572
Excess of revenue over expenditure for the year		**68,415**	65,303	66,150	78,947
Surplus, beginning of the year		**336,941**	397,355	415,308	450,284
Accrued allocation to clients (Note 1b)		**(22,876)**	—	—	—
Surplus on debt issues from Province		**—**	—	—	—
Allocations to clients		**(209,408)**	(125,426)	(83,715)	(113,322)
Application of equity to capital assets		**25**	25	25	25
Application of appropriated surplus		**504**	788	975	699
Appropriation of surplus		**(1,405)**	(504)	(788)	(975)
Dividends paid		**(600)**	(600)	(600)	(350)
Surplus, end of the year	$	**171,596**	336,941	397,355	415,308

2001	2000	1999	1998	1997	1996
2,832,474	2,714,849	2,702,045	1,988,013	1,758,368	1,721,135
103,348	71,950	55,676	35,013	30,872	29,220
1,139,714	1,059,689	990,838	652,219	580,138	540,349
—	—	—	—	—	—
10,265	10,265	27,802	51,231	83,895	146,143
26,780	25,727	24,587	23,582	22,624	35,185
79,075	94,248	74,143	44,714	34,964	38,098
177,403	180,353	185,938	152,502	139,036	135,991
35,721	42,863	29,506	15,774	19,779	19,541
7,157	7,235	14,450	12,540	3,975	8,635
879	904	929	954	979	997
4,412,816	4,208,083	4,105,914	2,976,542	2,674,630	2,675,294
3,385,691	3,235,022	3,123,290	2,206,060	1,947,612	1,920,404
263,505	147,432	129,663	71,461	52,428	30,738
258,185	270,062	280,862	232,818	218,275	214,877
—	—	—	—	—	—
53,374	63,560	67,494	41,234	36,977	38,192
—	10,082	10,118	10,142	—	—
3,960,955	3,726,158	3,611,427	2,561,715	2,255,292	2,204,211
879	904	929	486	357	250
699	—	—	—	—	—
450,283	481,021	493,558	414,341	418,981	470,833
4,412,816	4,208,083	4,105,914	2,976,542	2,674,630	2,675,294
252,663	260,670	245,618	188,690	184,719	190,795
89,121	69,317	61,383	56,596	79,605	73,577
702	525	675	720	710	726
429	429	434	255	255	255
101	100	101	101	101	105
343,016	331,041	308,211	246,362	265,390	265,458
236,510	247,367	256,376	187,713	187,507	185,875
8,617	8,858	5,584	3,208	1,470	1,127
5,180	7,832	5,593	5,037	4,688	7,638
1,639	1,515	1,417	1,361	1,294	1,082
219	267	372	186	176	227
5,410	3,404	3,119	7,644	5,368	11,299
257,575	269,243	272,461	205,149	200,503	207,248
85,441	61,798	35,750	41,213	64,887	58,210
481,021	493,558	414,341	418,981	470,833	421,124
—	—	—	—	—	—
—	—	63,814	—	—	20,213
(115,155)	(74,110)	(19,604)	(45,499)	(116,407)	(28,214)
25	25	25	25	25	—
—	—	—	—	—	—
(699)	—	(518)	(129)	(107)	(250)
(350)	(250)	(250)	(250)	(250)	(250)
450,283	481,021	493,558	414,341	418,981	470,833

CAPITAL FINANCING
BOND ISSUES

Canadian Dollar Bonds Issued in Canada

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2005 $(000)	INTEREST
50/CL	10.250% Debentures due May 8, 2006	May 8, 1991	46,000	45,980	Semi-annual May 8 November 8
55/CP	8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	Semi-annual May 12 November 12
63	4.000% Debentures due December 1, 2010	December 1, 2005	121,000	121,000	Semi-annual June 1 December 1
64/CS	7.250% Debentures due September 25, 2006	September 25, 1996 / 2001	121,000	121,000	Semi-annual March 25 September 25
65/CT	6.750% Debentures due April 24, 2007	April 24, 1997	125,000	125,000	Semi-annual October 24 April 24
66/CU	5.625% Serial Debentures due November 5, 2006	November 5, 1997	75,000	10,118	Semi-annual May 5 November 5
	5.625% Debentures due November 5, 2007	November 5, 1997	60,000	60,000	Same as above
68/CV	5.500% Serial Debentures due March 24, 2006 - 2007	March 24, 1998	86,642	25,179	Semi-annual March 24 September 24
	5.500% Debentures due March 24, 2008	March 24, 1998	336,000	336,000	Same as above
70/CW	5.250% Debentures due June 1, 2009	March 24, 1999	646,000	646,000	Semi-annual June 1 December 1
74/CX	5.900% Debentures due June 1, 2011	April 4, 2001	491,800	491,800	Semi-annual June 1 December 1
76/CY	3.050% Debentures due November 8, 2006	December 22, 2004	19,500	19,500	Annual November 8
77	5.375 - 5.625% Serial Debentures due June 1, 2006 - 2007	April 9, 2002	35,000	14,000	Semi-annual June 1 December 1
78CZ	5.250% Debentures due December 3, 2012	October 3, 2002	340,000	340,000	Semi-annual June 3 December 3

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	2006 – 10,118	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	
Registered at CDS Book entry only	Non-callable	2006 – 12,253 2007 – 12,926	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	
Registered at CDS Book entry only	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	2006 – 7,000 2007 – 7,000	N/A	CIBC Mellon Trust Company
Registered at CDS Book entry only	Non-callable	None	N/A	CIBC Mellon Trust Company

Canadian Dollar Bonds Issued in Canada (continued)

ISSUE / SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2005 $(000)	INTEREST
80CV	3.450 - 4.850% Serial Debentures due October 3, 2006 - 2012	October 3, 2003	130,700	118,700	Semi-annual April 3 October 3
80DA	98145.451 due December 3, 2013	December 3, 2003	288,300	288,300	Semi-annual April 3 October 3
81DB	2.850 - 4.950% Serial Debentures due April 22, 2006 - 2013	April 22, 2004	40,000	35,100	Semi-annual April 22 October 22
85DC	4.900% Debentures due Decemebr 2, 2014	October 25, 2004	180,000	180,000	Semi-annual June 2 December 2
86DD	5.350% Debentures due Decemebr 2, 2024	October 25, 2004	50,000	50,000	Semi-annual June 2 December 2
87DJ	3.550% Debentures due October 30, 2007	October 30, 2005	19,596	19,596	Semi-annual April 30 October 30
88	4.710% Debentures due October 1, 2009	October 1, 2004	200	200	Annual October 1
91	3.250% Debentures due March 16, 2010	October 1, 2004	220	220	Annual October 1
92DF	3.100 - 4.700% Serial Debentures due April 6, 2006 - 2015	April 6, 2005	63,400	63,400	Semi-annual April 6 October 6
93DG	4.978% Amortizer Debentures due April 6, 2025	April 6, 2005	118,300	116,541	Semi-annual April 6 October 6
95DH	4.150% Debentures due October 13, 2015	October 13, 2005	167,000	167,000	Semi-annual April 13 October 13
96DI	4.600% Debentures due April 2, 2026	October 13, 2005	50,000	50,000	Semi-annual April 2 October 2
801	5.410% Debentures due September 1, 2006	September 1, 2001	73	73	Annual September 1
802	4.630% Debentures due February 16, 2007	February 16, 2002	60	60	Annual February 16

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Registered at CDS. Book entry only.	Non-callable	2006 – 17,300 2007 – 17,300 2008 – 17,300 2009 – 16,700 2010 – 16,700 Thereafter – 33,400	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	
Registered at CDS. Book entry only.	Non-callable	2006 – 4,900 2007 – 4,900 2008 – 4,900 2009 – 4,900 2010 – 4,250 Thereafter – 11,250	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	2006 – 4,100 2007 – 4,100 2008 – 4,100 2009 – 4,100 2010 – 4,100 Thereafter – 42,900	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	2006 – 3,651 2007 – 3,835 2008 – 4,029 2009 – 4,232 2010 – 4,445 Thereafter – 96,349	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company

CDS–Canadian Depository for Securities Limited

CIBC Mellon Trust Company
1600 - 1066 West Hastings St., Vancouver, BC V6E 3X1
320 Bay St., Toronto, ON M5H 4A6

Auditors' Report

TO THE UNITHOLDERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA POOLED INVESTMENT FUNDS

We have audited the statements of net assets of the Money Market Fund, the Intermediate Fund and the Bond Fund of the Municipal Finance Authority of British Columbia (the "Authority) as at December 31, 2005 and 2004, the statements of operations and unitholders' equity and changes in net assets of each of these Funds for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of these Funds of the Authority as at December 31, 2005 and 2004, and the results of their operations and the changes in their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
January 27, 2006

POOLED INVESTMENTS
STATEMENTS OF NET ASSETS

DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
ASSETS								
Cash	$ **30**	42	**29**	26	**44**	3	**103**	71
Unitholder receivable	**—**	—	**153**	—	**303**	—	**456**	—
Investments (Schedules 1, 2 and 3)	**1,145,315**	898,041	**167,801**	112,074	**201,448**	192,290	**1,514,564**	1,202,405
	1,145,345	898,083	**167,983**	112,100	**201,795**	192,293	**1,515,123**	1,202,476
LIABILITIES								
Accrued management fees	**146**	112	**30**	18	**34**	29	**210**	159
Unitholder payable	**1,204**	1,017	**140**	48	**74**	389	**1,418**	1,454
	1,350	1,129	**170**	66	**108**	418	**1,628**	1,613
NET ASSETS AND UNITHOLDERS' EQUITY	$ **1,143,995**	896,954	**167,814**	112,034	**201,687**	191,875	**1,513,496**	1,200,863

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SECRETARY-TREASURER

POOLED INVESTMENTS
STATEMENT OF OPERATIONS AND UNITHOLDERS' EQUITY

YEARS ENDING DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
INVESTMENT INCOME								
Interest income	$ **28,331**	20,102	**3,945**	2,518	**8,389**	6,369	**40,665**	28,989
Less management fees	**1,559**	1,268	**273**	230	**434**	331	**2,266**	1,829
	26,772	18,834	**3,672**	2,288	**7,955**	6,038	**38,399**	27,160
Gain (loss) on investments								
Net realized gain (loss)	**—**	—	**(125)**	28	**(1,345)**	(221)	**(1,470)**	(193)
Net unrealized gain (loss)	**—**	6	**(752)**	678	**(1,719)**	1,532	**(2,471)**	2,216
Net gain (loss) on investments	**—**	6	**(877)**	706	**(3,064)**	1,311	**(3,941)**	2,023
NET EARNINGS DISTRIBUTED	$ **26,772**	18,840	**2,795**	2,994	**4,891**	7,349	**34,458**	29,183
NET ASSETS AND UNITHOLDERS' EQUITY								
Units outstanding, beginning of the year	$ **896,954**	816,339	**112,034**	117,693	**191,875**	169,118	**1,200,863**	1,103,150
Units subscribed	**1,502,747**	1,315,496	**120,042**	71,168	**75,794**	54,077	**1,698,583**	1,440,741
Distributions reinvested	**26,772**	18,840	**2,795**	2,994	**4,891**	7,349	**34,458**	29,183
Units redeemed	**(1,282,478)**	(1,253,721)	**(67,057)**	(79,821)	**(70,873)**	(38,669)	**(1,420,408)**	(1,372,211)
Units outstanding, end of the year	$ **1,143,995**	896,954	**167,814**	112,034	**201,687**	191,875	**1,513,496**	1,200,863

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

POOLED INVESTMENTS
STATEMENT OF CHANGES IN NET ASSETS

YEARS ENDING DECEMBER 31, 2005 AND 2004

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
NET ASSETS, BEGINNING OF THE YEAR	$ **896,954**	816,339	**112,034**	117,693	**191,875**	169,118	**1,200,863**	1,103,150
Changes during the year due to:								
Operations								
Net investment income	**26,772**	18,834	**3,672**	2,288	**7,955**	6,038	**38,399**	27,160
Net gain (loss) on investments	—	6	**(877)**	706	**(3,064)**	1,311	**(3,941)**	2,023
	26,772	18,840	**2,795**	2,994	**4,891**	7,349	**34,458**	29,183
Unit transactions								
Subscriptions	**1,502,747**	1,315,496	**120,042**	71,168	**75,794**	54,077	**1,698,583**	1,440,741
Redemptions	**(1,282,478)**	(1,253,721)	**(67,057)**	(79,821)	**(70,873)**	(38,669)	**(1,420,408)**	(1,372,211)
	220,269	61,775	**52,985**	(8,653)	**4,921**	15,408	**278,175**	68,530
Distributions to unitholders								
Investment income	**(26,772)**	(18,834)	**(3,672)**	(2,288)	**(7,955)**	(6,038)	**(38,399)**	(27,160)
Gain (loss) on investments	—	(6)	**877**	(706)	**3,064**	(1,311)	**3,941**	(2,023)
Distributions reinvested	**26,772**	18,840	**2,795**	2,994	**4,891**	7,349	**34,458**	29,183
	—	—	—	—	—	—	—	—
NET ASSETS, END OF THE YEAR	$ **1,143,995**	896,954	**167,814**	112,034	**201,687**	191,875	**1,513,496**	1,200,863
CHANGES IN INVESTMENT PORTFOLIO								
Investments at beginning of year	$ **898,041**	817,884	**112,074**	117,667	**192,290**	169,433	**1,202,405**	1,104,984
Accretion of discounts	**28,580**	20,105	**3,095**	3,225	**6,040**	8,287	**37,715**	31,617
Investments purchased	**6,365,693**	5,176,515	**902,998**	1,168,491	**1,042,816**	593,363	**8,311,507**	6,938,369
Net realized gain (loss) on investments sold	—	—	**(125)**	28	**(1,345)**	(221)	**(1,470)**	(193)
	7,292,314	6,014,504	**1,018,042**	1,289,411	**1,239,801**	770,862	**9,550,157**	8,074,777
Proceeds on investments matured or sold	**(6,146,999)**	(5,116,463)	**(850,241)**	(1,177,337)	**(1,038,353)**	(578,572)	**(8,035,593)**	(6,872,372)
Investments at end of year	$ **1,145,315**	898,041	**167,801**	112,074	**201,448**	192,290	**1,514,564**	1,202,405

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

POOLED INVESTMENTS
NOTES TO FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2005 AND 2004

1. Significant accounting policies

Basis of presentation

The Pooled Investment Funds are established by and operate under Section 13.1 of the Municipal Finance Authority Act (the "Act"). Three funds are maintained:

a) Money Market Fund which commenced operations on May 1, 1989;

b) Intermediate Fund which commenced operations on March 25, 1994; and

c) Bond Fund which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds pro rata with all other units from time to time issued and outstanding. Units are issued or redeemed at $1,000 per unit.

The financial statements have been prepared by management in accordance with the following significant accounting policies that are generally accepted in the investment industry.

MONEY MARKET FUND

a) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis, which approximates market value.

b) Interest income is recognized as earned.

c) Management fees are accrued daily at the rate of 3/20 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

d) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

INTERMEDIATE FUND/BOND FUND

a) Investments are carried at market values which are determined as follows:

- Bonds and debentures – at the quoted mid-market value
- Treasury bills, short-term notes, etc. – at amortized cost which approximates market value for the Bond Fund and at mid-market value for the Intermediate Fund.

b) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.

c) Interest income is recognized as earned.

d) Management fees are accrued weekly and at month-end at the rate of 1/5 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

e) Net earnings from operations are distributed to unitholders weekly and at month-end as additional units of the fund.

f) Accretion of discounts and premiums are amortized on a straight-line basis over the term of the investment.

(SCHEDULE 1)
POOLED INVESTMENTS
MONEY MARKET FUND – SCHEDULE OF INVESTMENTS

DECEMBER 31, 2005

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	COST	% OF TOTAL
SHORT-TERM INVESTMENTS					
Treasury Bills					
	Canada Treasury Bill	April 6, 2006	85,000	84,287	
	Canada Treasury Bill	May 4, 2006	237,100	234,403	
	Canada Treasury Bill	June 29, 2006	47,000	46,170	
			369,100	364,860	31.86%
Bankers' Acceptance	Canadian Imperial Bank of Commerce	February 10, 2006	30,000	29,892	
	Canadian Imperial Bank of Commerce	February 17, 2006	21,300	21,208	
	Bank of Montreal	March 16, 2006	10,000	9,930	
	Desjardins Acceptance Bank	March 15, 2006	16,000	15,889	
	Royal Bank of Canada	February 3, 2006	3,100	3,091	
	Royal Bank of Canada	February 10, 2006	10,500	10,462	
	Royal Bank of Canada	February 21, 2006	39,000	38,817	
	National Bank of Canada	February 21, 2006	8,900	8,858	
			138,800	138,147	12.05%
Discount Commercial Paper	Bank of Montreal	February 15, 2006	4,000	3,984	
	Bank of Montreal	March 10, 2006	12,400	21,177	
	Bank of Montreal	March 17, 2006	29,250	24,880	
	Bank of Nova Scotia	February 8, 2006	21,250	5,016	
	Bank of Nova Scotia	February 22, 2006	25,000	12,321	
	Bank of Nova Scotia	March 13, 2006	5,050	29,042	
	Bay Street Funding Trust	March 8, 2006	23,850	23,702	
	Caisse Centrale desjardins	January 25, 2006	9,075	9,055	
	Caisse Centrale desjardins	March 1, 2006	12,000	11,934	
	City Group Finance Canada Ltd.	February 17, 2006	7,900	7,866	
	City Group Finance Canada Ltd.	February 23, 2006	13,100	13,036	
	City Group Finance Canada Ltd.	March 8, 2006	6,000	5,962	
	Congress Financial Corporation (Canada)	February 1, 2006	5,000	4,986	
	Diversified Trust	February 2, 2006	34,000	33,903	
	Diversified Trust	March 1, 2006	11,600	11,536	
	Enbridge Inc.	February 17, 2006	23,400	23,298	
	Enbridge Inc.	March 16, 2006	3,600	3,574	
	HSBC Bank of Canada	June 19, 2006	32,000	31,453	
	HSBC Bank of Canada	March 21, 2006	5,750	5,707	
	HSBC Bank of Canada	February 23, 2006	13,600	13,533	
	Macro Trust	February 7, 2006	14,900	40,778	
	Manulife Bank of Canada	February 28, 2006	41,000	14,850	
	McCain Finance (Canada) Ltd.	February 21, 2006	19,500	19,407	
	McCain Finance (Canada) Ltd.	March 22, 2006	1,500	1,488	
	Plaza Trust	March 17, 2006	22,375	22,214	
	Plaza Trust	March 20, 2006	7,000	6,947	
	Safe Trust	February 3, 2006	10,000	9,971	
	Safe Trust	February 9, 2006	22,300	22,221	
	Safe Trust	March 16, 2006	10,000	9,929	
	Smart Trust	February 15, 2006	23,000	25,527	
	Storm King Funding Trust	March 15, 2006	20,000	22,906	
	Storm King Funding Trust	March 20, 2006	11,800	19,861	
	Summit Trust Series 'A'	February 2, 2006	25,600	11,712	
	Terasen Gas Inc.	January 24, 2006	10,000	29,912	
	Terasen Gas Inc.	January 30, 2006	14,000	14,695	
	Toronto Dominion Bank	February 3, 2006	30,000	9,979	

	Toronto Dominion Bank	March 17, 2006	14,800	13,964		
	Vancouver City Savings Credit	February 13, 2006	18,750	18,676		
	Vancouver City Savings Credit	March 13, 2006	4,000	3,973		
	Wells Fargo Financial Canada Corp.	January 27, 2006	10,800	10,773		
			629,150	625,748	54.64%	
Total Short-term Investments			1,137,050	1,128,755		98.55%
Corporate Bonds	Capital Canada Receivable Trust	May 15, 2006	16,500	16,560		1.45%
TOTAL INVESTMENTS PORTFOLIO			**1,153,550**	**1,145,315**		**100.00%**

(SCHEDULE 2)
POOLED INVESTMENTS
INTERMEDIATE FUND—SCHEDULE OF INVESTMENTS

DECEMBER 31, 2005

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT-TERM INVESTMENTS					
Treasury Bills	Canada Treasury Bill	June 15, 2006	11,300	11,116	
	Canada Treasury Bill	May 4, 2006	30,300	29,943	
	Canada Treasury Bill	November 30, 2006	58,745	56,712	
Total Short-term Investments			100,345	97,771	58.27%
CANADIAN BONDS					
Federal Bonds	Government of Canada	December 1, 2006	3,735	3,725	2.22%
Corporate Bonds	Anderson Exploration Ltd.	August 2, 2006	400	417	
	Bank of Nova Scotia	July 16, 2012	5,000	5,306	
	Bell Mobility Cellular Inc.	January 8, 2007	6,775	7,225	
	Capital Desjardins Inc.	June 1, 2012	8,100	8,305	
	Caterpillar Financial Services	June 1, 2007	5,000	5,141	
	Citygroup Finance Canada Inc.	September 17, 2007	3,100	3,195	
	Daimlerchrysler Canada Finance Inc.	November 7, 2006	5,500	5,585	
	Ford Credit Canada Ltd.	September 26, 2006	1,200	1,200	
	Ford Credit Canada Ltd.	February 20, 2007	500	482	
	Gloucester Credit Card Trust	June 15, 2007	4,500	4,608	
	General Motors Acceptance Corp.	March 22, 2007	1,000	972	
	Household Financial Corporation Ltd.	June 1, 2007	5,000	5,192	
	Master Credit Card Trust	June 21, 2007	3,385	3,488	
	Merrill Lynch Canada Finance	September 12, 2006	1,350	1,368	
	Quebec Telephone	February 1, 2007	1,650	1,752	
	Royal Bank of Canada	September 12, 2011	2,500	2,593	
	Royal Bank of Canada	June 4, 2012	5,000	5,210	
	Toronto Dominion Bank	July 26, 2011	2,500	2,596	
	Transcanada Pipelines Ltd.	February 15, 2007	1,600	1,670	
			64,060	66,305	39.51%
Total Canadian Bonds			67,795	70,030	41.73%
TOTAL INVESTMENTS PORTFOLIO			**168,140**	**167,801**	**100.00%**

(SCHEDULE 3)
POOLED INVESTMENTS
BOND FUND—SCHEDULE OF INVESTMENTS

DECEMBER 31, 2005

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT-TERM INVESTMENTS					
Treasury Bills					
	Canada Treasury Bill	January 3, 2006	125	125	
	Canada Treasury Bill	January 26, 2006	8,350	8,332	
	Canada Treasury Bill	February 9, 2006	1,350	1,345	
			9,825	9,802	4.86%
Medium-term Notes					
	Aliant Telecom Inc.	October 15, 2009	2,150	2,353	
	American Exp Canada Credit Corporation	November 12, 2010	900	905	
	Bell Canada	January 18, 2008	2,800	2,997	
	Enbridge Income Fund	December 21, 2009	900	895	
	HSBC Financial Corporation Ltd.	December 1, 2008	1,750	1,722	
	Manitoba Telecom Services Inc.	June 2, 2008	1,000	1,041	
	Merrill Lynch Canada Finance Co.	November 19, 2007	1,810	1,862	
	Quebec Telephone	February 1, 2007	1,500	1,593	
	Royal Bank of Canada	June 1, 2014	320	321	
	Transcanada Pipeline Ltd.	February 15, 2007	1,275	1,331	
	Westcoast Energy Inc.	April 16, 2008	1,000	1,044	
			15,405	16,064	7.97%
Total Short-term Investments			25,230	25,866	12.83%
CANADIAN BONDS					
Federal Bonds					
	Government of Canada	December 1, 2006	175	175	
	Government of Canada	June 1, 2007	4,695	4,654	
	Government of Canada	September 1, 2008	500	511	
	Government of Canada	June 1, 2010	7,050	7,531	
	Government of Canada	June 1, 2012	7,885	8,503	
			20,305	21,374	10.61%
Corporate Bonds					
	Altagas Income Trust	September 1, 2010	475	475	
	Altalink Investment LP	November 21, 2012	375	379	
	Bank of Nova Scotia	February 18, 2010	1,200	1,204	
	Bell Canada	February 15, 2015	600	671	
	Bell Mobility Cellular Inc.	January 8, 2007	1,800	1,920	
	Bell Mobility Cellular Inc.	June 2, 2008	1,145	1,212	
	BMO Capital Trust	June 30, 2010	2,175	2,476	
	Brascan Power Corporation	December 16, 2009	2,000	2,017	
	Calloway Real Estate Investment Trust	September 22, 2010	2,000	1,992	
	Canada Housing Trust	March 15, 2008	20,895	21,354	
	Canada Housing Trust	September 15, 2009	36,310	37,585	
	Canadian Imperial Bank of Commerce	June 1, 2014	975	980	
	Canadian Imperial Bank of Commerce	September 9, 2015	5,525	5,468	
	Capital Desjardins Inc. Series 'B'	June 1, 2012	7,690	7,884	
	Capital Desjardins Inc.	March 17, 2014	425	425	
	Caterpillar Financial Services Limited	June 1, 2007	150	154	
	Encana Corporation	December 3, 2007	2,260	2,322	
	Encana Corporation	September 15, 2008	1,695	1,689	
	Ford Credit Canada Limited	September 26, 2006	475	475	
	Ford Credit Canada Limited	February 20, 2007	125	121	
	Ford Credit Canada Limited	June 15, 2007	1,500	1,419	
	General Motors Acceptance Corp.	October 6, 2006	1,000	981	

General Motors Acceptance Corp.	February 16, 2007	500	479		
Gloucester Credit Card Trust	June 15, 2007	2,300	2,355		
Gloucester Credit Card Trust	October 15, 2008	865	876		
Greater Toronto Airport Authority	December 3, 2007	2,000	2,078		
Greater Toronto Airport Authority	June 2, 2008	1,820	1,871		
Household Financial Corporation	June 1, 2007	1,080	1,121		
Household Financial Corporation	July 2, 2008	5,275	5,439		
Maritime Life Canadian Funding	March 12, 2007	550	567		
Merrill Lynch Financial Assets Commercial Mortgage	April 15, 2011	575	638		
Merrill Lynch Mortgage Loans Inc.	July 15, 2009	1,765	1,891		
Merrill Lynch Mortgage Loans Inc.	March 15, 2032	3,015	3,335		
Merrill Lynch Mortgage Loans Inc.	November 15, 2032	1,000	1,103		
N-46 A-B Notes Issuer Inc.	July 15, 2011	1,987	1,952		
Pancanadian Petroleum Ltd.	June 2, 2008	300	312		
RBC Capital Trust	June 30, 2010	2,175	2,515		
Royal Bank of Canada	January 27, 2014	1,550	1,568		
Royal Bank of Canada	June 24, 2015	980	959		
Scotia Mortgage Investment Corporation Boom	October 31, 2007	7,325	7,787		
Solar Trust-Commercial Mortgage	November 15, 2021	1,075	1,177		
TD Capital Trust Securities	December 31, 2009	4,125	4,771		
Terasen Pipelines	February 2, 2010	1,050	1,062		
Toronto Dominion Bank	September 5, 2013	4,990	5,112		
Union Gas Ltd.	July 11, 2011	1,015	1,159		
		138,112	143,330	71.16%	
Total Canadian Bonds		158,417	164,704		81.77%
MORTGAGES					
CMHC Insured Mortgages					
Penmor Mortgage # 1865-IF	June 15, 2007	69	70		
Penmor Mortgage # 1924-2W	November 1, 2009	659	663		
Penmor Mortgage # 1995 – IJ	November 15, 2008	512	515		
Penmor Investment Services	November 1, 2006	477	484		
		1,717	1,732	0.86%	
NHA Insured Mortgages					
Penmor Loan #2341-OW	December 1, 2006	584	591		
Penmor Loan #2372-OW	March 1, 2007	571	580		
Penmor Loan #2381-OW	April 1, 2007	572	580		
Penmor Loan #2516-OW	May 1, 2008	437	447		
Penmor Loan #2544-OW	September 1, 2008	861	872		
Penmor Loan #2563-OF	December 1, 2008	453	459		
Penmor Loan #2699-OF	August 15, 2009	1,557	1,578		
Penmor Loan #2787-OF	February 1, 2010	983	985		
Penmor Loan #2793-OF	March 1, 2010	769	771		
Penmor Loan #2331-1W	December 1, 2010	1,320	1,349		
Penmor Loan #2709-OM	June 1, 2012	922	934		
		9,029	9,146	4.54%	
Total Mortgages		10,746	10,878		5.40%
TOTAL INVESTMENTS PORTFOLIO		**194,393**	**201,448**		**100.00%**

CONTACT INFORMATION

Municipal Finance Authority of British Columbia

737 Fort Street
Victoria, BC
Canada V8W 2V1
Tel: 250-383-1181
Fax: 250-384-3000
Web site: www.mfa.bc.ca

Office Hours

8:00 a.m. – 4:30 p.m.
Monday through Friday

E-mail Contacts

Steve Berna, CA, Executive Director
steve@mfa.bc.ca

Graham Egan, CA, Director of Finance
graham@mfa.bc.ca

Shelley Hahn, Manager of Financial Services
shelley@mfa.bc.ca

Allison C. Boyd, Executive Assistant
allison@mfa.bc.ca

Renata N. Hale, CGA, Senior Accountant
renata@mfa.bc.ca

Jane Morrison, B.A. Econ., Accountant
jane@mfa.bc.ca

Meagan Carver, B.Comm., Accounting Assistant
meagan@mfa.bc.ca

Lorna Armitage, Administrative Assistant
lorna@mfa.bc.ca

Tyler Thompson, Finance & Administrative Assistant
tyler@mfa.bc.ca

Auditor

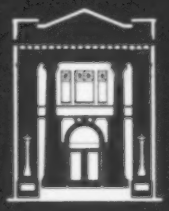
KPMG LLP, Victoria, BC

Solicitors

Bond and General Counsel
Bryant & Company
Victoria, BC

Alternate Bond Counsel
Farris, Vaughn, Wills & Murphy
Vancouver, BC

100 Mile House Abbotsford Adams Lake Indian Band Alberni-Clayoquot Alert Bay Anmore Armstrong Ashcroft Association of Yukon Communities Barriere Improvement District Belcarra Bighorn, Alberta Bowen Island Bulkley-Nechako Burns Lake Cache Creek Campbell River Canmore, Alberta Capital Regional District Capital Housing Corporation Cariboo Castlegar Central Coast Central Kootenay Central Okanagan Regional District Central Saanich Ch-ihl-kway-uhk Tribe Society Chase Chemainus First Nations Chetwynd Children's and Women's Health Centre of BC Chilliwack CivicInfo BC Clinton Coldstream College of New Caledonia College of the Rockies Columbia Shuswap Colwood Comox-Strathcona Coquitlam Courtenay Cowichan Tribes Cowichan Valley CREST Creston Cumberland Dawson City, Yukon Dawson Creek Delta Duncan E-COMM East Kootenay Elkford Enderby Esquimalt Fernie Fort Nelson Fort St. James Fort St. John Fraser Basin Council Society Fraser Fort George Fraser Valley Fraser Valley Regional Library Fraser-Fort George Fruitvale Gibsons Gold River Golden Government Finance Officers Association Granisle Greenwood Harrison Hot Springs Hazelton Health Center of BC Hedley Improvement District Highlands Hope Hospital Foundation Houston Hudson's Hope Integrated Cadastral Interior Health Authority Invermere Kamloops Kamloops Indian Band Kaslo Kelowna Kelowna General Hospital Kent Keremeos Kimberley Kitimat-Stikine Kootenay Boundary Kootenay East Ladysmith Lake Country Lake Cowichan Langara Langford Lillooet Lumby Lytton Mackenzie Maple Ridge Masset McBride Merritt Metchosin Midway Millbrook First Nation Mission Montrose Mount Waddington Municipal Finance Authority of British Columbia Municipal Insurance Association Nakusp Namgis First Nation Nanaimo Nelson New Denver New Hazelton New Westminster Nootka Sound Economic Development Corp. North Central Municipal Association North Cowichan North Okanagan North Peace Airport Society North Saanich North Vancouver (District) Northern Rockies Oak Bay Okanagan-Kootenay Sterile Insect Release Okanagan-Similkameen Oliver Osoyoos Parksville Peace River Peachland Pemberton Penticton Pitt Meadows Port Alberni Port Alice Port Clements Port Coquitlam Port Edward Port Hardy Port McNeill Port Moody Pouce Coupe Powell River Prince George Prince Rupert Princeton Qualicum Beach Quesnel Radium Hot Springs Revelstoke Richmond Rossland Saanich Salmo Salmon Arm Sayward Seabird Island Indian Band Sechelt Shawnigan Improvement District Sicamous Sidney Skidegate Ferry Terminal Silverton Skeena-Queen Charlotte Slocan Smithers Songhees/Esquimalt First Nation Sooke South East Kelowna Irrigation District Sparwood Sparwood General Hospital Squamish Squamish-Lillooet Stewart Stz'uminus First Nation Stuart-Nechako Summerland Sunshine Coast Surrey Tahsis Taylor Telkwa Terrace Thompson-Nicola Tofino Trail Tumbler Ridge Tzeachten Indian Band T'it'q'et Nation Ucluelet Union of BC Municipalities University of Northern BC Valemount Vancouver Island Municipal Association Vancouver Island Regional Library Vanderhoof Vernon Victoria View Royal Village of Cumberland Yukon Wynndel Wells West Shore Parks & Recreation West Vancouver Westbank First Nation Westbank First Nation Taxation Whistler White Rock Williams Lake Zeballos



mfa-bc

Municipal Finance Authority of British Columbia
737 Fort Street, Victoria, BC V8W 2V1 Canada
www.mfa.bc.ca